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THE PROBLEM OF GOVERNMENTAL RE- ORGANIZATION¹

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THE trial of democracy did not begin with the invasion of Belgium; nor did it end with the Treaty of Versailles. To the systems of government that we call democracies the war brought unprecedented strain; but it also aroused unprecedented spiritual fervor for the carrying of that strain. Democracy is on trial no less in peace than it was in war. Everywhere throughout the Western world vigorous voices of criticism and of protest can be heard—voices not only of febrile revolutionists but also of thoughtful men and women who realize that there is enough of soundness and of beneficence in the existing order to make it worth while to admit its mutability, to look its deficiencies squarely in the face, and courageously and energetically to work for its betterment.

Democracy is a lumbering machine. It must be rendered more efficiently serviceable. Thinking people understand why this is so and how important a series of undertakings it involves. But you cannot stimulate the people of America to flag-waving and drum-beating enthusiasm over such a program. Regrettable as it may be, I do not believe that we as a people are greatly interested in either economy or efficiency. The people need both, whether they are interested or not. But we are not a thrifty people by nature, habit, or economic condition. We are, moreover, extremely complacent. Unhappily with us the most efficient of governments is not necessarily the most popular. Indeed it may be quite the opposite; for efficiency in government is apt to raise a storm of opposition among those who are immediately affected and to leave quite cold the great mass of the people in whose interest it is undertaken. Popularity in politics is not infrequently a child of

¹ Introductory address as presiding officer at the first session of the Academy Meeting, New York, May 23, 1921.

somewhat uncertain—not to say highly questionable—parentage. At any rate it is perfectly apparent that the movement for improving the processes of democracy in their fiscal and organic aspects is a movement that must be carried forward by a relatively small number of far-seeing and determined persons.

In coupling the subject of retrenchment with that of administrative reorganization there is, I think, a fairly concealed pitfall for the unwary. Manifestly there is a close relation between the two. It is almost inconceivable that an orderly budget system could be set down upon a disorderly administrative system and be made to function with adequacy. I do not wish to strike a note of disharmony or of disheartenment. We are not in this Academy conference attempting to put anything across by exaggeration, but to discuss the facts as we see them. We ought to recognize, therefore, that through many years we have been undaunted worshippers at the shrine of governmental reorganization. When anything goes wrong with the human machine that we call the government, it seldom occurs to us that the trouble lies in the quality of the personnel. Almost immediately somebody lays the blame upon the kind of organization that prevails, and proposals to reorganize are brought forward. Apparently we have unshakeable faith in the mystic potency of the law as a ready remedy for every evil that attacks the body of our politics. Indeed not a little of the disarray in our administrative organization which ought to be eliminated by a thoroughgoing overhauling can be properly ascribed to this very faith, expressing itself, as it often has, in hasty and piecemeal reorganization undertaken with the end in view of alleviating this or that alleged malady. So much of value can nevertheless be accomplished by the establishment of a scientific budget system and a reasonable reorganization of some of the administrative activities of the national government that we should have no hesitancy in recognizing the limitations that inhere in these related proposals. Perhaps I may be permitted to point out one or two of these.

Those who sanguinely suppose that either of these reforms is going to result in any enormous or even very substantial reduction of expenditures are, I fear, doomed to disillusionment. Apart from the fact that so overwhelming a part of

our national revenue is expended upon the national debt and the maintenance of the military and naval establishments, it is perfectly evident, when we get down to hard reality, that the margin of possible saving even in the most scientific of budgets is relatively small. It is absurd to assume that either budget system or administrative reorganization can be inaugurated without reference to and constant consideration of the existing personnel establishments of the government. In plain fact those establishments operate as a mandate for expenditure that is far more binding than any mere mandate of the law. We cannot set out to build and operate a new house; we can only remodel an old house and operate it largely with the force already in service. There is no such thing as starting anew, unless the government is prepared to adopt a policy of ruthlessness which not even a private enterprise would pursue and which, needless to say, the public would not for a moment tolerate. Standardization of work and of pay is an excellent thing to struggle toward; but it is an extraordinarily difficult thing to accomplish in an existing establishment of large and ramifying dimensions. It is indeed next to impossible of complete realization. Unquestionably money can be saved here and there and service can be improved by reorganization and by improved budgetary methods. But so long as practically the whole of the existing establishment constitutes in effect a fixed charge, the net result cannot be relatively large financially. It would be none the less important. To my mind its importance would lie not in the comparatively small saving of dollars or improvement of service, but in the example of orderliness and decency and of sense of responsibility which the government ought to set. The government should be not only a model employer but also a model housekeeper. I sometimes think that we scarcely realize the extent of the pernicious influence that is now exerted by the shiftless and irresponsible fashion in which public affairs are so often managed.

Every student of American politics knows how the edifice of our administrative organization has grown into gigantic being at the hands of the changing architects of successive Congresses. That it is not more rambling than it is is the most remarkable thing about it. That it is in need of both

interior and exterior alterations with reference to the relation and unrelation of its numerous services is undeniable. But here again it is easy to become over-enthusiastic about "scientific" organization. The truth of the matter is that in any large enterprise where a multiplicity of services are performed there is no single scheme of organization that can claim any exclusive right to be called scientific. Even from the point of view of relation of function there are invariably possible alternatives. To argue that such alternatives do not exist is merely to be innocent or opinionated or—worse than these—academic. In every large department store in New York the shopper will occasionally find a departmental organization for the offering of goods that strikes him, in his journey from cellar to attic, as highly unscientific from the viewpoint of his own peculiar needs. The reason is size and variety. From both of these qualities the government suffers in the matter of effective organization. Even so, the glaring anomalies that prevail are sufficiently numerous to call for a complete survey of the entire administration and a readjustment of services to the end of creating a more logical functional arrangement.

For many years we have heard a great deal of advocacy of putting the government upon a business basis. Again and again it has been asserted that the conduct of government is nothing more nor less than the conduct of business; and the methods and achievements of private business in America have been set in laudatory contrast with the methods and achievements of our various units of government. In my judgment this contrast has been sadly overworked. I need not point out that the aims and purposes of our government are different, if not indeed opposite, to those of private business; and that aims and purposes cannot fail to affect methods and achievements. Personally I should regret to see the government put wholly upon a business basis even if that were possible—which happily it is not. It is true that many of the activities of government appear to be identical with those of business. In the purchase of supplies, in the acquisition of land and the erection of buildings, in the employment and direction of large numbers of persons, in bookkeeping and accounting, and in many other respects the government seems to be carrying on merely business operations. But it should not be ignored that these oper-

ations are carried on under legal limitations that are unknown to private business. There is probably not a bureau chief in Washington who could not greatly improve the service of his bureau and somewhat reduce its expenditures if he were not faced with the formidable obstacle of the law. He is straight-jacketed by its infinite minutiae. Shall we then move to dispense with the detailed statutes by which the administration is subjected to control? If official competence and honesty can be assumed, it is undeniable that many of the detailed regulations with which the law now encompasses the administrator could profitably be erased from the statute books. But that is not the American way. For generations we have been making officials good and wise by statute. To abandon this practice would be truly revolutionary. Perhaps in the course of time we may come to it by a gradual process. In the meantime we must bear in mind that the law is responsible for many an administrative absurdity. We must bear in mind also that administrative reform must be the work of Congress and not of the Executive. Indeed it is not far from true to say that administrative reform presupposes at least a measure of congressional reform.

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THE HISTORICAL DEVELOPMENT OF NATIONAL EXPENDITURES

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THE most salient fact concerning the expenditures of the federal government of the United States, historically considered, is their enormous and unceasing expansion. In 1791 the total of expenditures for ordinary purposes, exclusive of the postal expenses, was a little over three million dollars. (I wish to say at this point that the figures that I shall give in this paper exclude all postal revenues and expenditures.) It was not until 1800 that the total had risen to above ten million dollars. The average annual expenditure during the first decade was about five millions. Today, a century and a quarter later, the annual total is above five billion dollars. We are now spending on the average one billion of dollars for each million of dollars that was expended in the early years of the Republic—one thousand times as much.

The expansion in spending has been accelerated as time has passed. Only twice in the twenty years preceding 1812, did federal expenditures reach a total of ten millions a year. In the forty years which followed, up to 1845, the average was about twenty millions a year. By 1860, the outgo was approximately sixty millions. After the Civil War the amount came to about three hundred millions. At the beginning of the twentieth century it had reached half a billion. By 1915 it had crept up to three-quarters of a billion. Today it is five billions, with no prospect, even under the most favorable circumstances, of falling below four billions for many years. The estimates of the Secretary of the Treasury for next year, 1922, are four and a half billion dollars, with no provision for soldiers' bonuses.

Of course, this increase has not been uniform. Bulges in the curve of increase occur at the time of every war—the War of 1812, the Mexican War, the Civil War, the Spanish-American War, and the World War. In each case, after the cessation

of hostilities, expenditures have declined once more; but they have never fallen to prewar levels.

The mere fact of expansion itself is not very significant. When the Constitution was adopted, and the federal government established, the United States consisted of a few million citizens dwelling along the Atlantic seaboard. Since then the territorial sovereignty of the United States has been extended across the entire continent; and overseas possessions have been acquired. The population of continental United States has grown to a total of over one hundred and seven millions. The national wealth of the country has multiplied many fold in the last century, while the purchasing power of the dollar has fallen greatly. And furthermore there has been an unremitting endeavor to widen the scope and character of the activities of the federal government. Naturally our expenditures have had to increase.

In the year 1789, three executive departments, State, War, and Treasury, were established, together with two executive offices, the office of the Attorney-General and the office of the Postmaster-General. In the year 1798 the Navy Department was established. Beginning about the middle of the nineteenth century, other departments were created: the Interior Department in 1849, the Department of Justice in 1870, the Department of Agriculture in 1889, the Department of Commerce and Labor in 1903, and the Department of Labor in 1913. In the meantime more and more independent establishments, that is, executive offices not under the jurisdiction of any department, were created, until the number now exceeds thirty.

And this only tells a part of the story. The real growth has been in the kinds of the activities that have been added to the work of the national government. A few of the undertakings that have been started within the last generation are: the regulation of railroads through the Interstate Commerce Commission; the regulation of trade practices through the Federal Trade Commission; the administration of the civil service law through the Civil Service Commission; the enforcement of the pure food and drugs act through the Department of Agriculture; the supervision of national sanitation and health through the Public Health Service; the promotion of foreign

trade through the Bureau of Foreign and Domestic Commerce; and the enforcement of the Volsted prohibition act, through the Bureau of Internal Revenue. These are only a few of the innumerable additions that have been made from time to time to the functions of the executive departments.

Other additions and functions are today being made, or urged, most of them very proper activities which can be described as regulatory, educational, or scientific and investigative. But they all cost money. Furthermore, the primary operations of the government have grown constantly more expensive, notably the operations of the War and Navy Departments. Invention and scientific progress have rendered the art of war, and the means of defense both on land and sea, highly technical and costly.

All these facts must be kept in mind when we contemplate the astonishing increase in the cost of our federal government. And yet that increase is startling enough. In 1795 the per capita share of the annual expenditures was approximately \$1.34; in 1850 it was approximately \$2.25; in 1885 it was approximately \$5.66; in 1900 it was approximately \$8.17; in 1910 it was approximately \$10.12. Today, in 1921, the per capita share of the annual expenditures of the federal government is approximately \$47.65. The increase itself is arresting. But it is the fact of tremendous acceleration in recent years that really gives us pause.

Likewise the amount of the interest-bearing debt of the United States has been steadily climbing. Generally speaking, this debt has grown as the country has grown; but it has shown great fluctuations. After each war there is a sharp upward trend, followed by a slow decline, which never is permitted to continue long enough to achieve the previous low levels before a new war occurs.

In 1791 the public debt of the United States was \$75,169,974. The amount varied a little up and down until 1810. By 1812 it had been shaved to \$45,035,023. The War of 1812-1814 pushed the amount up to \$108,745,818 in 1816, and to \$115,807,805 in 1817. By 1830 this amount had been gradually worked down to \$48,565,406. In 1857 it was as low as \$28,460,958. The Civil War lifted the national debt to 365 millions in 1862; 707 millions in 1863; 1,360 millions in 1864;

2,221 millions in 1865; 2,332 millions in 1866. This last figure was the high-water mark following the Civil War. It necessitated an interest payment for that year of \$146,068,196. The total amount of the public debt first fell below two billions in 1871. But by 1888 it had fallen to one billion of dollars and it continued to stand at something less than one billion until 1916. In that year the total amount of the interest-bearing public debt was \$971,562,590. Then came the unprecedented expenditures of the war with the Central powers. In 1917 the debt went to nearly three billions; in 1918 to nearly twelve billions; and in 1919 to over twenty-five billions. It is now approximately twenty-four billions. The amount of the annual interest charge in 1920 was \$1,016,592,219.

It is safe to say, therefore, that the public debt of the United States has always been the product of war. In each interval of peace, progress has been made in whittling down the amount. This progress, however, has been in every case arrested, before it has gone far enough to make the elimination of the burden possible, by the occurrence of a new, and unfortunately a more expensive, conflict. The only condition that would give any assurance that the debt of the United States could be wiped out, or could be brought to such small proportions that it would cause little concern, would be a prolonged period of peace and commercial activity.

Within the last two years, two analyses have been made of government expenditures, which show that the chief extravagance in public offices is not the one most frequently mentioned, that is, waste due to improper organization but something quite different. The first of these analyses was made by Dr. Edward B. Rosa of the Bureau of Standards and covered expenditures for the fiscal year 1920; the second was made by the Bureau of Efficiency and covers appropriations for the current fiscal year of 1921. In the fiscal year ended June 30, 1920, out of a total of \$5,686,005,705 spent, the sum of \$3,-855,482,385, or 67.8 per cent went for expenses arising from the recent and from previous wars. The interest on the public debt took over a billion dollars; the federal control of transportation, over a billion; the United States shipping program, 686 millions; pension and War Risk Insurance payments, 337 millions; and so on through a number of smaller items. The War

and Navy Departments combined expended \$1,424,138,676, or about 25 per cent of the total. It is fair to say, therefore, that approximately 92 per cent of the expenditures of 1920 was absorbed in paying for past wars and providing for national defense. This left only \$406,384,443, out of a total of five and two-thirds billions, or about 8 per cent, to maintain the legislative and judicial branches of the government and to carry on all the civilian activities, including public works, promotion of trade and agriculture, and the supervision of health, education, and research, of the executive departments. The fiscal year 1920 was, of course, an abnormal year, since our heaviest war contracts were settled in that year. But of the appropriations for the current fiscal year, which will end June 30, 1921, 88 per cent are for war purposes, past or future. The total cost of maintaining the civilian establishment of the government, outside of the expenses for public works, does not run above 250 millions of dollars a year in these times. These percentages afford food for thought for those who imagine that government expenditures can be drastically reduced by a reorganization of the executive departments, or by the institution of a budget system, or by the introduction of more economical and efficient methods in governmental business.

In war time the expenditures have always, in our history, made sudden and unprecedented leaps; in war time the public purse has no puckering strings. Our financial experience during the recent world war is not, indeed, unique. It finds a remarkable parallel in the Civil War, and to some extent in the other wars that this Nation has fought. This parallel can best be brought out by contrasting the expenditures during the course of a war with the expenditures in the years immediately preceding. This comparison can be made most accurately by taking the total expenditure of the government in the second year preceding the outbreak of war as the base and computing the index figures for the years immediately following.

Our second war with England broke out in 1812; the Mexican War in 1846; the Civil War in 1861; the Spanish-American War in 1898. We entered the World War in 1917. The index figures of expenditures for the War of 1812 run as follows: 1810, 100; 1812, 239; 1813, 374; 1814, 410. This last year of the war was the peak; but after the War of 1812 as after

subsequent wars the expenditures remained high for some years. In 1815 the index figure, still using 1810 as a base, was 389; in 1816, 368. In 1817 it had dropped to 236.

For the Mexican War similar index figures are as follows: 1844, 100; 1846, 118; 1847, 242; 1848, 212; 1849, 193; 1850, 182. Here again we have a sharp increase at the outbreak of the war, a steady climb to the end of the war, and then a decline that is gradual rather than steep.

The Civil War was more severely contested and was fought on a larger scale. The index figures for the Civil War are as follows: 1859, 100; 1861, 96; 1862, 726; 1863, 1,119; 1864, 1,346; 1865, 2,017; 1866, 809; 1867, 535; 1868, 570. The peak in the Civil War, it should be noted, is the high index figure of 2,017, using the expenditure of a normal prewar year as the base.

The Spanish-American War began in April 1898 and ended in December of the same year. Its brevity prevented it from exercising so marked an effect upon expenditures as previous conflicts. The index figures follow: 1896, 100; 1898, 126; 1899, 174; 1900, 140; 1901, 147.

In the World War the expenditure for 1915, approximately \$724,763,000, is taken as the base. The index figures then are: 1915, 100; 1917, 285; 1918, 1,899; 1919, 2,610; 1920, 847; 1921, (estimated) 691. The expenditures in the World War reached the staggering total in the one year of 1919 of nearly nineteen billions of dollars. The index figure for this year, using a normal prewar year as the base, is 2,610, whereas the peak year in the Civil War, 1865, shows an index figure, computed on a similar basis, of 2,017. Yet there is a remarkable parallelism between the two wars. Let me repeat the index figures for the years 1864-67, and the years 1918-21; 1864, 1,346; 1865, 2,017; 1866, 809; 1867, 535. The later series runs: 1918, 1,899; 1919, 2,610; 1920, 847; 1921, 691. Undoubtedly, if the expenditures of the United States had not been swelled during the last war by loans to foreign governments, the similarity between the index figures for the Civil War and for the last war would be even closer.

In general, it may be said that war is the great consumer of public revenues, and that invariably war brings in its train obligations that prevent expenditures from falling to anything like prewar levels in the succeeding years.

Another statistical approach to the historical aspects of war expenditures consists in comparing the percentages of expenditures for the Army and Navy with the total expenditures, exclusive of postal, during prewar years, during war years, and during post-war years. For example, in 1810, two years before the War of 1812 began, the expenditure of the War and Navy Departments was 46.6 per cent of the total ordinary expenditures for that year. In 1812, the percentage for the War and Navy Departments had risen to 77.8; in 1813, it was 82.3; in 1814, it was 79.7. After the war, the percentage remained high, but began to decline. In 1815, it was 71.2; in 1816, it was 63.6; in 1817, it was 56.6. By 1820 it had fallen to the new low level of 38.4.

In 1844, two years before the Mexican War, the percentage of expenditures for the War and Navy Departments of the total ordinary expenditures was 52.1. In 1846, it was 63.8; in 1847, 80.4; in 1848, 78. It dropped in 1849 to 56; and in 1850 to 43.

In 1859, the percentage of expenditures for the War and Navy Departments of the total ordinary expenditures was 59. In 1862, it had reached 92.7; and in 1863, 92.8. In 1864, it was 89.8; in 1865, it was 89.1. It fell to 62.9 in 1866 and to 36.7 in 1867. By 1871 the percentage had declined to 19.9.

The Spanish-American War was peculiar in that the percentage of expenditures for the War and Navy Departments of the total ordinary expenditures never went above 50. In 1896, the percentage was 22.7; in 1898, the percentage was 34.9; in 1899, the percentage was 49.2; in 1900, the percentage was 39.6. The Spanish-American War was a brief, sharp struggle which did not last long enough to call forth or require the full energies of the American people.

The percentages for the World War are interesting on account of the fact that the percentages of expenditures for actual operations, that is for the War and Navy Departments, were never extremely high, despite the fact that over nine billions of dollars were expended for the Army in 1919 and over two billions for the Navy in that same year. The percentage of the total expenditures was, in this peak year, 59.5, whereas in the Civil War the same percentage stood above 92. during two successive years, 1862 and 1863, and stood above 89. in the two following years, 1864 and 1865. This may be explained partly

by the fact that our expenditures during the World War included heavy loans to our associates in the conflict. It may also be explained in part by the fact that the nature of war has changed to some extent and involves greater exertions on the part of the civilian population, so that part of the expenditures which really go for war purposes are not made through the War and Navy Departments.

The percentages of expenditure by the War and Navy Departments of total ordinary expenditures for the last few years are as follows: 1916, 44.5; 1917, 33.7; 1918, 51.2; 1919, 59.5; 1920, 28.1; 1921, (estimated) 34.4. In other words, our expenditures for the War and Navy Departments today, in 1921, do not bear a substantially larger proportion, 34.4 per cent, to the total expenditures of the Government than they did in 1917, when the percentage was 33.7. This is simply another way of saying that the aftermath of a great war is so costly that it can conceal in percentages even a vast expansion in armament. This expansion has taken place. In 1916 we were paying for our Army approximately \$164,636,000. In 1921 we were paying for our Army approximately \$1,027,750,000. In 1916 we were paying for our Navy \$155,029,000. In 1921 we were paying for our Navy approximately \$697,500,000.

I take it that the value of an historical survey of the expenditures of the federal government lies chiefly in the lessons that it affords for the present and the future. If this be true, and taking a long view of the situation, we may safely conclude that by far the most important step that we may take toward eventual savings is the avoidance of further wars. In the last century and a quarter the great increases in the expenditures of the federal government have synchronized with the occurrence of wars. Even small wars have caused expenditures to mount rapidly, and great wars have made them soar. After each war, expenditures have been reduced somewhat under the pressure, no doubt, of an economy drive such as we are witnessing today. Before retrenchment and prosperity have enabled us to return to a normal rate of expenditure, however, another war has forced us into fresh extravagances and has loaded us with new debts.

One of the characteristics of war psychology is the recklessness with which money is poured out. People feel, during a

war crisis, that no sacrifice is too great, and no outlay too large, so long as victory is achieved. No hesitation is felt about imposing the highest taxes that can be collected, issuing the greatest volume of paper money that can be absorbed, or raising the largest loans that can be floated. All this is, of course, more or less inevitable. It is inseparable from the nature of war itself. In war time the military authorities, from the President down, absorb practically the entire direction of the government. During the last war I remember hearing the Chairman of the Committee on Appropriations of the House of Representatives say that his Committee, and Congress as a whole, did not dare to reduce materially the estimates of the officers of the Army and the Navy, even though these officers were asking for hundreds of millions every week. He said further that should Congress fail promptly to appropriate as much as was asked and then any reverse was suffered, the people would throw all the blame on the legislature. There is enough truth in what he said to make it certain that in any war no brakes can be put upon expenditures.

The only way to avoid these orgies of extravagance, the burdens of which fall alike on present and future generations, is to prevent wars or to refrain from entering wars. This is the paramount problem of statesmen and economists. No other question in the world is so vital. We have come to a time in the history of mankind when not the progress of civilization but the actual preservation of civilization is the subject which bodies like the Academy must consider.

The more immediate aspect of our problem is how to reduce the swollen expenditures which the national government is making today and in that way reduce taxes, direct and indirect. The principal suggestions that have been put forward for the accomplishment of this purpose are:

- (1) Reduction in military and naval expenditures.
- (2) Reduction in the interest charges on the public debt.
- (3) A more stringent policy in respect to enlarging or increasing functions of government and rendering assistance to private enterprise, particularly to railroads, to shipping, and to agriculture.
- (4) Reorganization of the executive departments and field agencies to the end that waste, extravagance, and duplication may be eliminated.

(5) The establishment of a national budget system.

(6) Recovery of at least a part of the moneys, amounting to about ten billion dollars, loaned to European nations during the late war.

I shall not attempt to discuss the foregoing proposals in detail lest I trench upon the province of succeeding speakers. It is plain that the chief way to reduce taxes is to reduce the military and naval expenditures, since 20 per cent of our appropriations this year are for military and naval purposes, and 68 per cent for past wars. Reduction in interest charges on the public debt is a matter for the consideration of financial experts. The various proposals for government bonuses and aid to private enterprise in the field, for instance, of transportation, shipping, and agriculture, will be discussed by other speakers on the program. The reorganization of the executive departments is a problem to which the Bureau of Efficiency has given a great deal of study and on which it has collected a large amount of data. A Joint Congressional Committee composed of three members of the Senate and three members of the House of Representatives, to which has been added a representative of the Executive, is now at work on the details of a program for reorganization, and the data collected by the Bureau of Efficiency has been placed at its disposal. A bill establishing a national budget system passed the last Congress and failed only through Executive veto. A budget bill has passed both Houses of this Congress and is now in the hands of the conferees.¹ Recovery of the moneys, in whole or in part, loaned to other nations during the last war, is a subject that will have to be settled by those who control our foreign policy.

An historical survey of the expenditures and financial history of the federal government convinces us that something may be done to lower the costs of present-day administration; but that not so much can be accomplished as is often believed by sanguine and untrained observers. I have myself for many years been attempting, in a modest way, to effect economies through the introduction of better and more efficient methods in the business of the departments and independent establishments at Washington. I know that substantial reductions in

¹ It became law June 10, 1921.

expense may be accomplished by painstaking and special effort, but I also know that nothing revolutionary can be accomplished by these means so long as obligations necessitating the expenditure of hundreds of millions of dollars are incurred every year or two. It seems to me, if I may be permitted to say so, that persons who come into the government fresh from other fields of endeavor or, more particularly, who view the processes of government from a distance, sometimes have a tendency to imagine that enormous cuts in expenditures can be effected without difficulty and to believe that they have discovered some magic remedy for what they term government waste and extravagance, which, curiously enough, has escaped the attention of those who are struggling with the problem in Congress and in the executive branch of the government day after day and month after month. I do not wish to disparage these persons; they often furnish the enthusiasm and initiative which bring about improvements.

In conclusion, I wish to say that the program for this discussion is both complete and timely. The facts that will be brought out at this meeting will contribute much toward a solution of the perplexing problems with which the government and the people are confronted at this time.

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A PROPOSAL FOR GOVERNMENT REORGANIZATION¹

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Chairman of the National Budget Committee

The Problem of Reorganization

THE primary defects of the organization of the executive branch of the government are: First, the inclusion in certain executive departments of agencies and activities which have little or no relation to each other, or to the major work which the departments were established to perform; second, the location in different departments of agencies whose work lies in the same field or, at any rate, in analogous fields; and third, the absence of definite direction and control of the executive branch as a whole. In a general way, at least, these defects are well known. Everyone is familiar, for example, with the incongruous character of the Interior Department, which for many years was the dumping ground for those administrative units for which no logical place could be found in the existing organization plan; with the inclusion in the Treasury Department of such obviously non-fiscal services as the Coast Guard, the Public Health Service, the Supervising Architect's Office, and more recently the Bureau of War Risk Insurance; with the fact that the bulk of our civil public works are executed under the direction of the War Department; although the Bureau of Public Roads is located in the Department of Agriculture and the Reclamation Service in the Department of the Interior. A large number of establishments, varying in size and importance from the Interstate Commerce Commission to the Commission for the Standardization of Screw Threads, maintain their existence in the executive branch of the government completely outside the jurisdiction of any of the ten department secretaries. Nominally, they are under the di-

¹ A more detailed presentation of this plan has been published by the National Budget Committee under this same title. 1920, New York, National Budget Committee, 7 West 8th street, pp. 48, 2d edit., 1921, price 25 cents.

rection of the President. As a matter of fact, the President is unable to keep in touch with even an insignificant portion of their activities. Many of these establishments pursue their course practically as they please, without the guiding and co-ordinating influences which would grow out of their association with other offices under a department head; and very often units of this category are almost lost sight of both by Congress in the assignment of work to the various branches of the service and by the President in the exercise of executive direction and control.

The problem of reorganization is restricted to the elimination of these defects. Strictly speaking, it involves no change in the fundamentals of the governmental structure, and contemplates neither a curtailment nor an expansion of governmental functions or activities. The need for reorganization springs wholly out of the fact that the executive departments, as they exist today, are not in any sense the product of intelligent planning, but the result of piecemeal building by successive congresses practically without a plan; and the sole purpose of reorganization should be to effect such a regrouping of the agencies that have been brought into existence in this piecemeal fashion, and such a reassignment of the activities which from time to time have been authorized by law, as will insure the most economical and effective prosecution of the proper objects of government as they have been determined by Congress.

This does not necessarily mean, however, that it will be impossible, or improper, to propose the establishment of new agencies or even of new executive departments (or, on the other hand, the discontinuation of existing agencies or departments in their present form). If it could be demonstrated, for example, that a considerable number of service units are scattered through the several departments, all dealing with various aspects of the general problem of promoting and protecting the public health—if it could be demonstrated that these units could be better managed if grouped under the same departmental direction, and that such a combination would be so large of itself that it could be effectively administered only if maintained separately from the jurisdiction of any existing executive department—under such an hypothesis, the establish-

of an independent department of public health would be unobjectionable as a part of the reorganization program. But it is not properly a part of such a program to expand the public health activities of the government, or to provide machinery for the conduct of enterprises in this field which have not been authorized by legislative action. Reorganization deals with ways and means, with machinery—not with purposes or objects; and it will therefore provide new departments only when necessary to the more effective conduct of enterprises already authorized, never in answer to a demand of this group or that group for the entry of the government upon a new field of endeavor.

It will nevertheless be necessary to take cognizance of the tendencies of the times, and to provide means whereby the various functions of government may steadily be extended and developed according to those tendencies, and with the least possible strain upon the executive organization. It would be a narrow-minded reorganization policy indeed that would ignore the question of what requirements the machinery of the government will be called upon to serve in the future. Although those requirements can not be forecast with absolute accuracy, it is nevertheless possible to build for the future at least to the extent of providing a definite place in the organization of the departments for the location and performance of each major function and object of government. Not the smallest of the advantages of grouping analogous activities in a single department will be the stimulation of growth and development, not of particular bureaus and offices, but of the major fields of government operation. And while the present program of reorganization should seek only to provide the means of a more effective and economical administration of existing enterprises, it will nevertheless clear the way for the later development of particular functions in response to popular demand.

If in attempting a reorganization of the executive branch of the federal government it is to be assumed that no consideration will be given to any proposals to effect changes in the fundamental principles upon which our governmental structure has been erected, and that no effort will be made to curtail or to extend the powers and functions which were delegated to the federal government by the Constitution, or which have been

assumed up to the present by the federal government under the most liberal interpretation of the Constitution, it is at once apparent that the program of reorganization is restricted to a careful consideration of the proper grouping of existing services and a proper distribution of the functions of government among those services. In carrying out this program, it will be necessary to lay the existing organization upon the dissecting table, to analyze minutely the activities of each governmental agency, and to effect that regrouping of services which will best lend itself to an economical and efficient administration of public affairs.

Reorganization is, however, something more than a mere transfer of agencies from one jurisdiction to another, or a mere statutory shifting of lines of authority. Real reorganization means eliminations, consolidations, cutting down overhead, reduction of force, improvement of service. These things can not be accomplished by statute. They are essentially matters for administrative action. But the great obstacle in the way of executive action of this sort lies in the heterogeneous character of the most important executive departments and in the statutory location in different departments of units whose work is similar, or at least in similar fields. This condition is the result of legislative action, and an effective bar against real reorganization which only legislative action can remove. The Coast and Geodetic Survey, the Lakes Survey, and the Navy Hydrographic Office, for instance, are separate agencies engaged in making marine surveys. That there are duplications in their equipment and work and much needless overhead expense, there can be no doubt. But so long as they are permitted to maintain their existence in three separate executive departments, duplications and waste can not be eliminated.

To obtain the benefit of real reorganization, all services operating in the same field, services conducting operations of a similar character, must, by law, be placed under one general direction; and conversely, the field of each department must, so far as possible, be restricted to a single class of closely related activities. Reorganization can then follow naturally. Effective cooperative relations can be established between services engaged in analogous lines of work. Duplications of equipment, plant, and activities can be eliminated. Services whose

work is sufficiently similar in character can be consolidated. Unnecessary services can be discontinued and duties more logically assigned among the working units which remain.

Reorganization legislation, in itself, can accomplish only three things—or more strictly speaking, that part of the program of reorganization which can be accomplished by statute consists of three things: First, the grouping together of services of like character, or whose work is analogous; second, the restriction of the field of each department, so far as practicable, to a single class of closely related activities; and third, the investment of the chief executive with authority to make such organization changes within the respective departmental jurisdictions as may be necessary in the interest of economical administration and improved service.

In formulating reorganization legislation it will be necessary at the outset to lay down certain principles upon which to base the regrouping of agencies departmentally. Two standards have been suggested by which service units may be evaluated in order to determine their respective places in the organization as a whole. The first is that agencies performing analogous functions or having analogous objects should be grouped together. The second is that agencies requiring the same variety of mechanical equipment, using the same methods and procedures, and employing personnel of similar qualifications, should be placed under the same management without regard to the general functions which they variously perform or to the objects which they respectively seek to attain. Needless to say, the functional standard and the mechanical standard are sometimes, although not often, in sharp conflict. Under the theory of grouping federal agencies according to the major objects of government, a unit created to foster thrift among our citizens, and particularly among industrial workers, would certainly never have been located in the Post Office Department, whose major object is to carry the mail. But that department is the sole federal establishment maintaining offices in all sections of the country, however remote; and quite correctly, the mechanical standard was permitted to prevail against the functional standard in the establishment of the Postal Savings Bank under the jurisdiction of the Postmaster General. But the reverse is usually true. Whether appropriately or not, the War De-

partment, the Navy Department, and the Post Office Department separately maintain aerial services, on the theory that regardless of questions of mechanics there should be no suggestion of confusing the three major governmental objects involved, national defense by land, national defense by sea, and carrying the mail.

It is obvious, of course, that neither of these standards can be applied to the exclusion of the other. Indeed, in most cases they run parallel. Where they are in conflict, it is well to follow the general principle that services should be grouped according to the character of the major objects or functions for which they were created. But it will always be necessary to make exceptions, and here and there to allocate an agency to a particular jurisdiction solely from consideration of the character of the equipment and personnel required in the performance of its functions.

The foregoing observations upon the problem of government reorganization are intended to indicate the general principles which should guide the framers of reorganization legislation. Accepting these principles, the problem is stripped of much of its complexity. The reorganization program may be said to consist of an accurate inventory and evaluation of the major objects and functions of the national government as recognized by statute; a careful analysis of the organization and activities of existing agencies of government; a regrouping of those agencies by legislation so that service units operating in the same or analogous fields, whether judged by a functional or a mechanical standard, will be placed under the same general direction; and the subsequent consolidation, combination or elimination of agencies by executive action. Such a program is practical. It can arouse no objection except from special interests who find in it no opportunity to obtain a larger representation in the government. In the last analysis its results will be measured in terms of improved service and decreased cost. Since so far as practicable it will place but one general class of activities under the same executive direction and control, it will insure better supervision. Since it will group like activities together, it will permit standardization of practices and procedures, set up cooperative relations between analogous services, eliminate conflicts of jurisdiction, facilitate a logical

distribution of work by Congress and the executive, and make possible the formulation of fundamental and far-reaching policies with respect to broad fields of related work.

One of the primary defects of the governmental organization, previously pointed out, is the location under different jurisdictions of agencies which perform the same kind of work or work in analogous fields. This defect naturally accompanies, but is different from, the grouping together of unrelated activities. It is this scattering of related activities which has given rise to the charge of duplication of work between government establishments. It is often stated, for example, that such and such a number of government bureaus are engaged in health work; that so many are taking care of educational questions; that so many are making marine surveys, and so on. Very frequently, if not usually, these criticisms are grossly exaggerated, but it is a fact that work of the same kind, or at least in the same general field of activity, is, under the present system, now being carried on by a number of establishments under different supervision. As has already been indicated, the Bureau of Coast and Geodetic Survey, of the Department of Commerce, is engaged in surveying and charting our Atlantic and Pacific coasts, and the coasts of our insular and territorial possessions. A similar service is being performed by the War Department upon the Great Lakes and other navigable lakes, while the Navy Department, through its Hydrographic Office, is charged with the duty of making such coastal surveys as may be required in foreign waters. All three agencies publish and distribute maps and charts for navigational purposes. Again, both the Bureau of War Risk Insurance, of the Treasury Department, and the Bureau of Pensions, of the Department of the Interior, are engaged in paying pensions or compensation to soldiers and sailors and their dependents, practically the sole difference between these agencies being that the Pension Office has jurisdiction of cases arising with respect to service rendered wholly prior to October 6, 1917, while the Bureau of War Risk Insurance has analogous jurisdiction in cases arising with respect to service subsequent to that date. The civil governments of Porto Rico and the Philippines handle their relations with the United States through the Bureau of Insular Affairs of the Department of War, while the same work is performed by the

office of the Secretary of the Interior with relation to the civil governments of Alaska and Hawaii. The Bureau of Lighthouses, of the Department of Commerce, is charged with the maintenance of light houses and other aids to navigation along our coasts, but the Coast Guard, which performs an analogous service in the maintenance of life-saving stations, likewise for the benefit of navigation, is located in the Department of the Treasury.

Cases of this kind will be discussed more fully in later pages, but it should perhaps be brought out here that the condition which the cases above enumerated serve to illustrate is alone of sufficient importance to give rise to an urgent need for a redistribution of many of the agencies of the government. The principal disadvantages which result from this condition are as follows:

First: Standardization of practices and procedures in a given field of work is impossible where activities in that field are carried on by two or three agencies, each under a different department head.

Second: Coordination and cooperation between like services,—services engaged in analogous fields of action—is extremely difficult and frequently wholly impossible when those services are subject to the direction and control of different executive officers of equal status and rank.

Third: Where two or more services, doing the same or similar work, are subject to the supervision of different executive officers, each service must maintain a separate administrative organization, a separate supply and personnel division, and so on, with the result that the administrative burden is an unnecessarily large factor in the cost of the work performed. Quite obviously, for example, the amalgamation in one department of the three agencies now engaged in the field of marine surveys would make possible the elimination of much overhead expense.

Fourth: Where similar work is being carried on in two or three different departments, Congress is frequently at a loss to determine which department should be selected to perform new work of the same kind, and frequently, under conditions of this sort, grave errors are made in the assignment of work by the legislative branch.

Fifth: Where two or more departments have jurisdiction in

the same or related fields of activity, conflicts of authority and jurisdiction are bound to arise, which often lead to actual duplications of work. It should be said in all fairness that such duplications are now kept to a minimum by the most commendable spirit of cooperation which is usually manifested by department heads and bureau chiefs in all cases of conflict of jurisdiction.

Sixth: The effect of this condition upon the departmental estimates and expenditures as they are viewed by Congress and the public is by no means the least important of the disadvantages that accrue from it. Under the present arrangement only fragmentary information can be derived from the accounts and estimates of the executive departments with respect to the cost of the various major functions and objects of government. Congress must scan the estimates of three departments to determine the needs of the government with respect to the administration of our colonies and territories. It must refer to the estimates of at least three departments to learn the requirements of the government with respect to public education. It would be almost impossible to determine without a most careful search of the records of the Department of Commerce, the Department of the Treasury, the Department of War, the Department of the Navy, and the United States Shipping Board, what have been the expenditures of the Government during any period in the interests of safeguarding and regulating navigation.

Seventh: No more serious disadvantage results from this condition than that it prevents a full development of initiative and causes a feeling of irresponsibility on the part of the administrative officers of the government. Each bureau chief becomes ambitious rather for the perpetuation of his particular establishment than for real effectiveness of the government in performing the particular service of which his work is a part. No bureau or office, for example, now feels any particular responsibility, least of all an exclusive responsibility, for the general welfare of former soldiers and sailors. The Pension Office, the Bureau of War Risk Insurance, the Public Health Service, and the Federal Board for Vocational Education, share the responsibility for ministering to the needs of these men and their dependents. No one establishment feels the necessity of

developing a permanent policy to be pursued by the government in such matters, and there is no single bureau to which the distressed ex-service man may look for relief or assistance. Obviously, great advantage would follow the entrusting of all these matters to a single department, in point both of quality of the service performed and of economy of administration.

Even were it possible, however, to correct immediately the two major defects which have been discussed, to set up departments which, so far as possible, are uni-functional, and to group together all agencies dealing with analogous problems, much would yet be lacking to give to the executive branch of the government its greatest possible effectiveness as an organization unit. The president, as the chief executive, is of course responsible for the administration of the government, and yet peculiarly enough he has, practically speaking, no agency to assist him in the discharge of this responsibility. The sole existing influence for the coordination of the work of the executive departments is the cabinet. The cabinet is, however, traditionally limited in its jurisdiction to the resolution of questions of policy and the giving of advice on such questions to the president. It does not function in an executive or administrative capacity. The President alone is, of course, unable to give attention to even a minute portion of the administrative questions which arise in and between the various departments and establishments. Indeed it may be said that each executive department is itself independent, and that each board, commission, or bureau which is outside the jurisdiction of any department, carries on its activities wholly without centralized executive supervision or direction, except in rare instances. Under such conditions as these, cooperation between departments has become altogether a matter of the personal inclination of department heads and the heads of independent establishments.

This is not a criticism of the chief executive or intended as such. The facts are that the Congress has not, up to the present, recognized the need of giving to the President the machinery which he must have in order to perform effectively the functions of the chief administrative officer of the government. He is now forced to rely solely upon a few executive assistants and an office force of some forty clerks and messengers for as-

sistance in performing duties which are constitutionally assigned to him. Naturally the entire time of so small a force is occupied in the transaction of the routine business of the President's office, connected with such matters as the making of appointments and the signature of commissions, and the consideration of legislation submitted for executive approval. In other words, the office of the President is recognized as a political rather than an administrative office and the business activities of the government are allowed to go practically without any unified supervision.

The Proposed Plan

The plan which is proposed below for a realignment of government agencies contemplates only such a reorganization as will facilitate to the greatest possible extent the elimination of the defects above enumerated. The proposals, therefore, are addressed directly to the proposition of regrouping the various branches of the service departmentally, with a view to restricting the field of each executive department to a single class of closely related activities and to grouping together those services which can operate to the best advantage under the same supervision.

The following conclusions have been reached, after careful study and analysis, concerning the departmental changes which should be made to reach the desired ends, as above described:

1. The Department of the Interior should be abolished, and a Department of Public Works established in its place to have jurisdiction over the following services:

From the Department of the Interior—

- General Land Office
- Geological Survey
- Bureau of Mines
- War Minerals Relief Commission
- Reclamation Service
- National Park Service
- Division of Capitol Buildings and Grounds
- Alaskan Engineering Commission

From the Department of Agriculture—

- Bureau of Public Roads
- Forest Service

From the Department of the Treasury—

Supervising Architect's Office

From the Department of War—

All national military parks, monuments and memorials

Board of Engineers for Rivers and Harbors

Board of Engineers of New York City

Office of Supervisor of the Harbor of New York

United States Engineer Offices

Mississippi River Commission

California Debris Commission

Board of Road Commissioners for Alaska

Office of Public Buildings and Grounds and Washington Monument

Other establishments, now independent—

Office of the Superintendent, State, War and Navy Buildings

Rock Creek and Potomac Parkway Commission ¹

Commission of Fine Arts

Federal Power Commission ¹

2. A Department of Education and Health should be established, to have jurisdiction over the following services:

From the Department of the Interior—

Office of Indian Affairs

United States Indian Service

Bureau of Pensions

Bureau of Education

St. Elizabeth's Hospital

Howard University

Freedmen's Hospital

Board of Indian Commissioners ²

From the Department of the Treasury—

Bureau of War Risk Insurance

Office of the Surgeon General, Public Health Service

Public Health Service

From the Department of Labor—

Children's Bureau

¹ This Commission should be abolished and its functions assumed by the Department of Public Works.

² This Board should be abolished and its functions terminated.

Other establishments, now independent—

United States Employees' Compensation Commission¹

Federal Board for Vocational Education²

United States Interdepartmental Social Hygiene Board

National Home for Disabled Volunteer Soldiers

Columbia Institution for the Deaf³

3. The following services should be placed under the jurisdiction of the Department of Commerce:

From the Department of Agriculture—

Weather Bureau

From the Department of the Interior—

Patent Office

From the Department of the Treasury—

Coast Guard

From the Department of War—

Lakes Survey Office

Inland and Coastwise Waterways Service

From the Department of the Navy—

Hydrographic Office

Naval Observatory

Other establishments, now independent—

Commission for Standardization of Screw Threads⁴

4. A Bureau of Insular and Territorial Administration should be created in the Department of State, to have jurisdiction over the relations of the United States with territorial and insular governments. The Bureau of Insular Affairs of the Department of War should be abolished.

5. A Bureau of Supply should be created as an independent establishment, to have charge of the purchase of supplies for all executive departments and independent establishments in

¹ This Commission should be abolished and its functions assumed by the Bureau of Pensions.

² This Board should be discontinued and its duties divided among the agencies of the Department of Education and Health.

³ A quasi-governmental institution, whose present independent status must be continued. See the more detailed elaboration of this plan, published by the National Budget Committee, 7 West 8th street, New York City.

⁴ This Commission should be abolished and its functions assumed by the Bureau of Standards.

the District of Columbia. The General Supply Committee (Treasury) should be abolished, and the Government Fuel Yards (Interior) transferred to the Bureau of Supply.

6. The Division of Secret Service and the Office of the Prohibition Commissioner, of the Department of the Treasury, and the Office of the Alien Property Custodian, an independent establishment, should be transferred to the Department of Justice.

7. The Office of Comptroller of the Currency should be abolished and its functions be assumed by the Federal Reserve Board.

8. The Board of Mediation and Conciliation should be abolished and its functions given to the Department of Labor.

9. The Council of National Defense should be abolished.

10. The Botanic Garden, now under Congressional supervision, should be placed in the Department of Agriculture.

11. The Solicitors for the several executive departments should be transferred from the Department of Justice to the departments to which they are respectively attached.

The suggestions which have been made in these pages are offered with the idea that they may be of assistance when the question of realigning government agencies is taken up. The reorganization plan which has been outlined should at least afford a logical basis for discussion. It is believed to be sound in principle, and fairly complete in detail. And yet it does little violence to the structure of the present organization. It adds one executive department, and changes the name of another. It provides so far as practicable for the restriction of the field of each existing department to those functions for which it was created. It materially reduces the number of independent establishments. It makes possible the correction by administrative action of the most apparent defects which grow out of present structural inconsistencies, and paves the way for the effective operation of the permanent budget bureau.

THE REORGANIZATION OF THE FEDERAL GOVERNMENT—AN ALTERNATIVE PROPOSAL¹

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THERE are two essentially different view-points from which to consider and critically appraise proposals for reorganization, or rearrangement, of the departments and offices of the federal government, viz., (1) the view-point taken by those who assume that there should be "no change in the fundamentals of the *structure*" of the government *as is*—as exemplified in the report of the National Budget Committee, and (2) the viewpoint of those who regard the "structure" of the federal government *as is* to be a departure from the original plan and purpose—at variance with principles of representative government, and incapable of adaptation to meet the requirements of economic and efficient administration.

I

Basis of Criticism and Appraisal of Plans for Governmental Reorganization

At the outset be it said that these two views do not arise out of or involve controversy over *fundamentals* in the sense that one group of critics is supporting and another attacking the Constitution. It is a case in which each party is equally zealous in its support of that great charter which has been "the admiration of all . . . ages and the model of all . . . governments"; each accepts with equal enthusiasm the appraisal of that great statesman who characterized our Constitution as "the most perfect work ever struck off by the brain and purpose of man at a given time." It is a case of difference arising from

¹ This paper was prepared as a critical report on the "Proposal of the National Budget Committee," and was sent to the several speakers before the meeting. The author's remarks before the Academy were an *ex tempore* presentation of certain points raised by the report.

the fact that each for his own purposes has given to the same written instrument quite a different meaning.

On many questions there have been differences of constitutional interpretation. The subject before us is that of *organization*—organization for efficient group action. Organization-for-group-action is essentially an arrangement of the personnel of an associate body or society for *leadership*. Differences in organization-for-action are differences in arrangements for *executive* as distinguished from Congressional leadership. The differences in interpretation that engage our attention are those which impart to the clauses of the constitution two widely separated, diametrically opposed, meanings so far as they have a bearing on the subject of *executive leadership*.

That this point may be made quite clear, let us get the clauses and the differing interpretations of them before us: Article II, Sec. 1, of the Constitution provides:

The Executive power shall be vested in a President of the United States of America.

What does "the Executive power" mean? What did it mean in 1787? What was its meaning in the writings of Montesquieu, which were largely read and followed? What did it mean in the minds of those who sat in the Convention and who finally decided to set up the three independent branches—executive, legislative and judicial? Did it not mean that the institutional purpose of the one branch (the Executive) was to provide for strong, effective executive leadership—leadership for group achievement; that the institutional purpose of the other two branches was to establish and impress on leadership-for-group-action concepts of justice as an essential to popular good will. In other words, was it not conceived that in the executive branch the nation would find its motor-organization, and in the legislative and judicial branches it would establish effective organs of control over the motor-organization? And was not the preaching of Montesquieu based on an old-world experience which had come to recognize the fact that effective executive leadership is an essential to group motorization—just as essential to cooperative achievement as are the organs and agencies of political, social and individual justice essential to good will? Is not this the im-

port and purpose of democratic as distinguished from autocratic institutions: that while both recognize the need for executive leadership as an essential to achievement in the interest of physical well-being, democracy insists that executive leadership shall be responsive to the common moral consciousness of the group as to what is right and serviceable? And, that democracy erects institutions of control competent to make executive leadership responsible, and responsive to common ideals of justice? Was not this the intent and purpose of the constitution to create organs of control by means of which group opinion, consciousness of right, might rule over the executive without weakening the effectiveness of executive leadership?

Washington, who was chairman of the Convention that drafted the Constitution (and who was as free from partisan bias and personal ambition as any man who ever lived) when he was called by the people to exercise the new powers of chief executive, and Hamilton (among the "fathers" the outstanding genius in matters of organization, one of the three great commentators on the Constitution before its adoption) interpreted the clause quoted to mean that the President in the exercise of this "power" should be *leader*. Hamilton conceived, and those who share this view then and now conceive, that the President, in whom "the executive power" was vested, should be a responsible leader in support of which interpretation we find language like this:

He [the President] shall from time to time give to Congress information of the state of the Union and *recommend* to their consideration such measures as he shall judge necessary and expedient.

No provision is made for a "Cabinet", by the Constitutional Convention; the Senate was made the President's advisor—but this was at once found by experience to be unworkable and a "Cabinet" of Washington's own choosing was substituted. As executive leader, the President was given the appointing power; was given the Constitutional right to obtain from heads of departments such information as he might desire "upon any subject relating to the duties of their respective offices;" and to the end that the executive might be made *responsible* both for his acts and proposals in the exercise of his powers, Congress was clothed with the fullest inquisitional functions;

and Congress was given control over the public purse as a means of making the moral judgments of the people effective as against the executive. His appointments must be concurred in by the Senate; every administrative act and every proposal with respect to the public service was to be scrutinized and approved or disapproved by a majority of the members of both houses—to which end it was required that "regular statement and account of receipts and expenditures of all public monies" should be prepared and published, and "no money shall be drawn from the Treasury [by the President or anyone in the executive organization] but in consequence of appropriations made by law."

These provisions giving to Congress the power of inquest, and control over the purse, however, were not interpreted by Washington and Hamilton to mean that the executive branch (as the motor-organization) was to be deprived of central *executive leadership*; or that the people were to be deprived of the means for making those who directed motorization *responsible*. These provisions were not thought of as an attempt to set up a government with the defects of the old Continental Congress—an institution which provided neither for motor-organization nor executive leadership except for military purposes. It was not thought that this was an attempt simply to create a motor-organization and leave it without executive leadership. Washington and Hamilton did not so understand it. They did not understand that it was the intention of the Constitutional Convention to make the organ of political and social justice (Congress) responsible for the leadership which was to be investigated, critically appraised, dramatized before the people, and controlled by the representatives of the people. They had no thought that it was meant to deny the executive as trusted leader the right to go before the Senate when he had business with them as Constitutional advisors to obtain their concurrence in appointments and in exercise of the treaty-making power; they did not understand that it was the intention to deny the executive the right to go before the House (and the Senate if he desired) to give an account of his stewardship and present measures which he might "judge necessary and expedient" for the public service of which he was made the Constitutional

head. In the view that the executive was looked to for leadership, Washington sought to confer with the Senate, but had to give it up. In this view an account of stewardship and a plan for the future was carefully worked out, with a request for appropriations; this having been prepared by Hamilton, and approved by Washington, the pleasure of the House was asked as to when Hamilton could come before them to present it. Such is one interpretation of the fair meaning and purpose of the Constitution—in fact, of the genus of representative government itself.

Let us now turn to the second view—the other interpretation of our Constitution. This first takes form *in Congress*, not in the constitutional convention. For twenty-five years (it may be said for one hundred and twenty-five or more years before the convention of 1787) the American people had been opposed to irresponsible executive leadership; and in a war of rebellion they had set aside this kind of leadership. Because a foreign parliament refused to accord them this principle—refused to the American representative bodies and electorates the powers of inquest and control over the executive—because the English government insisted on maintaining here an irresponsible executive leadership, the American people rose up in opposition, and finally they destroyed the executive. In this emergency they looked for leadership, first to improvised revolutionary “committees”; and later to regular constituted representative “committees”. For fourteen years this type of “committee” leadership was exercised, in representative bodies and out, with all the weakness and confusion incident to such a system.

The Constitutional Convention was called to cure this weakness; but they found it a hopeless task and therefore the new Constitution was drafted. The adoption of the Constitution was a peaceful revolution against the “committee” system. But those who had become accustomed to the exercise of these powers (those who, through service and by “consent”, had come to be looked to by their “constituents”) found places in the new representative body; and there they sought to hold the leadership which had been exercised during the fourteen years, nearly half a generation, when there was no executive branch. In Congress these leaders set themselves up against

the request of the executive to have a duly accredited member of the Cabinet come before the representative body for a hearing on what Washington and his subordinates had done and what was proposed. Through Hamilton, he and his associates asked for a full hearing and fair trial by an open-forum procedure. He asked that he might have a chance to face his critics and adversaries. But this was denied. And the hold which the "leaders" in Congress had on the country at a time when there was a reaction against the federal idea was such that Washington consented—to the interpretation of members of their own and his constitutional rights and duties.

This action, or decision, was momentous in its consequences. Instead of laying the foundation in experience for the development of a procedure of inquest and control which would make strong, virile statesmanlike executive leadership compatible with popular sovereignty, it fastened on the nation (under the Constitution) the "standing-committee" system. In its out-working, it gave us an agency for service (a government) which with all its implications and attributes of "invisibility" and "irresponsibility" whose "structure"—the structure elaborated by Congress—has been fundamentally and characteristically different from the structures reared by the other leading democracies of the world. Instead of preserving the independence of the two branches, as was in contemplation by our fathers, it destroyed responsible executive leadership—forcing the President, so far as he exercised any leadership at all, to resort to secret dealing with the manifold irresponsible "leaders" set up in the appropriating, inquisitorial body. It destroyed the "balance" which was sought to be established in the representative system, by taking over leadership in matters of administration and finance into the body or branch of the government instituted for critical review and for determination as to whether the one group of administrative officers or another should be entrusted with the direction, and use of executive power. It not only destroyed the character of the representative body, as a court of political and social justice; it also destroyed or weakened the power of the "electorate" as the democratic organ through which public opinion was to be voiced in deciding questions on appeal to the people—and for periodically choosing the leaders they would trust.

It set aside the essentials of the representative system, as a democratic device, by destroying the court of inquest instituted for the trial of questions of political and social justice. It closed the constitutional open forum. And, with leadership in matters of finance and administration transferred to chairmen of congressional committees, they chose to adopt secret methods of deciding questions of public policy. Congress reduced the executive to a "superintendency"; took to itself the function of leadership; and parcelled it out to "standing-committees"—the chairmen of which in time gained and held their position, not by reason of the good will of a national electorate, but for length of service to voluntary self-appointed, self-perpetuating organizations called "parties" that came to exist outside the government. It paved the way for the organization of a group of "managers" who, in the oft-quoted phrase of Senator Root, are "elected by no one, accountable to no one, bound by no oath of office, removable by no one"—again using his phrase, it prepared the way for government by an "irresponsible oligarchy".

Leadership in matters of administration and finance has come to be divided among forty-one Senate committee-chairmen, and thirty-five House committee-chairmen (see pages 60 to 63 for list) to which the heads of bureaus and offices are required to go for accountability and with their plans for the development of the public service; and these chairmen, with the "party" managers inside and outside the committee rooms, also in large measure control the appointments to be made with each incoming administration. In fact, through the appropriations, they hold the whip over the whole service including those who have come to be protected by civil service regulation. Thus, leadership on the business side of the government has been transferred from the executive to the deliberative branch; and deliberation from the open forum set up by the Constitution to the secrecy of the committee room, the determinations of which are put through on the floor under the "party" lash. Advertising to the descriptive phrase of Senator Hoar (whose long service in Congress gives him a right to speak with authority) Congress became an aggregation of "little legislatures", as a result of which

Hundreds of measures, of vital importance, receive—near the close of an

exhausted session, without being debated, printed, or understood—the constitutional assent of the representatives of the American people.

The necessary outworkings of such a system are inefficiency and waste, because the system has been used to upset or paralyze all the organs of the body politic whose function is the maintenance of national good will; and because the constant intermeddling of those who have arrogated to themselves leadership has prevented the upbuilding of an effective organization-for-action.

This gives us our historic bearing and background for understanding why it is that we have such a "hodge-podge" of machinery for transacting the business that the executive is called on to "superintend"; and why it is that "there is throughout the length and breadth of this state [land] a deep and sullen and long continued resentment at being governed thus."¹ This gives us a basis for understanding why it is that a practical-minded people have had a public administration so unpractical, unbusinesslike and ill-suited to the work to be done—the defects in which have been so fully set forth from time to time in the several reports that have been made on the subject.² This historic review also gives to us our two angles from which any "proposal" for reorganization may be considered.

II

Appraisal of the "Proposal" of the National Budget Committee

The viewpoint of the National Budget Committee and of those who would not disturb this standing committee system is the one first above described. To make sure that there would be no doubt on this point, it is frankly stated. For example: in its "proposal" the National Budget Committee say the adoption of its plan of departmental reorganization "involves no change in the fundamentals of the governmental structure" *as is*. Our first appraisal therefore is from the same viewpoint—a sympathetic consideration of this "proposal" to see wherein the "piecemeal building by successive Congresses practically

¹ Speech of Senator Elihu Root before the Constitutional Convention of New York, 1915.

² During the last century more than a hundred official reports have been made by congressional committees and executive commissions each of which points to defects, overlappings, conflicts and waste.

without a plan," may be rearranged to make the government a better instrument of service than it now is; or, to use their own language, to see what can be done "to effect such a regrouping of the agencies that have been brought into existence in this piecemeal fashion, and such a rearrangement of the activities which from time to time have been authorized by law, as will insure the most economical and effective prosecution of the proper objects of government as they have been determined by Congress."

Without question the "regrouping" has much to commend it. Even though we continue to accept the time-honored interpretation of Congress, that the President and Cabinet are merely a "superintendency" (that leadership should be broken up among the chairmen of standing committees of the inquisitorial branches, thereby depriving the country of its critical democratic faculties, and substituting an "irresponsible oligarchy" for "responsible executive leadership") still much may be done to make this "superintendency" more effective by bringing together those who have kindred and related problems with which to deal. There is everything to commend the principle; there is everything to commend a better correlation of the administrative "faculties". In this respect the problem of rearrangement or readjustment of the several working parts of the machine, or complement of machines, by means of which the public is to be served is the same whatever kind of prime-mover is used, and however ill-adjusted or disintegrate the means of "transmission" of power. Proceeding from this assumption, the following questions are raised with respect to the realignment in the "Proposal for Reorganization" submitted by the National Budget Committee:¹

1. It is questioned whether the Federal Prisons should be continued under the jurisdiction and control of a "faculty", or administrative group, whose primary function is that of "prosecution". Isn't this a misfit? What is the end to be achieved by the prisons? Is it to continue prosecution, or persecution? Or is it to give to those who have been animated by selfish motives

¹ Report entitled: *Proposal for Government Reorganization*—National Budget Committee, 7 West 8th St., New York, 1920 (48 pages); 2nd edit., 1921, price 25 cents.

to such an extent that they have become anti-social, a chance to readjust their lives to ideals of "service"? Is the purpose of maintaining institutions for delinquents one of "vengeance" or is it "training for citizenship"? If the latter, then should not the "Prisons" be placed under a "faculty" whose duty and responsibility it is to deal with problems of "education" and "social welfare"?

2. For like reason it is questioned whether "pardons" should be left in the "prosecuting" department. From the viewpoint of society in considering applications for pardons, is not "prosecution" the one thing to be kept out of it or very far in the background? Instead of this public function being left to the prosecuting "faculty", should not the powers and duties be transferred to the "social welfare" group, with such amplifications as to make possible an up-to-date plan of parole and probation really a part of the outworking of the problem of social reconstruction?
3. The next item (running down the list of agencies as regrouped by the National Budget Committee) concerning which question is raised is, the "United States Botanical Gardens"—it being proposed to put this in the Department of Agriculture. On the face of it, this seems reasonable. But this institution is only indirectly connected with the public service—it certainly has nothing to do with the problems to be administered in the department which serves the farmer. Its chief function is to raise and cut flowers for members of Congress and their families. As it has been developed, it is one of the "perquisites" of members of the representative body. Why lumber up the Administration with this?
4. A fourth question is raised with respect to the relations and functions of the proposed Departments: "Agriculture", "Commerce", and the proposed (new) Department of "Public Works". By process of elimination, it appears that, with noted exceptions, all the "faculties" of the government which are to interest themselves in those services that have to do with agriculture, fisheries, mining, manufacture, transportation,

commerce, etc., are to be associated either in a department of "*Agriculture*" or "*Commerce*" or "*Public Works*". The exceptions noted are listed as "*Independent Establishments*" — discussed later. As between the three departments named, the first question to be decided is what principle of correlation shall be employed to determine whether one or another bureau or agency shall be associated in one administrative department or the other. Or, putting the question in another form: To what departmental "faculty" shall the head of each bureau or office charged with these several kinds of services listed become a part? And what principle, if any, determines the exclusion of certain related services from all three of the above departments—causing them to be listed as "independent"? The lines of demarcation would seem to be these; (1) the primary purpose, or interest, which the Department of Agriculture is planned to serve, is to *safeguard and promote* agriculture and forestry in all their many and varied specilizations—to provide farmers, gardeners, orchardists, timber-culturists, etc., with the staff and other aids necessary to make them more highly successful; (2) the primary purpose, or interest, which the Department of Commerce is planned to serve, is to *safeguard and promote* fisheries, mining, manufactures, transportation, foreign and domestic commerce, etc., (with all their many and varied specializations)—to provide persons or corporations so engaged with technical staffs and other governmental aids; (3) the primary purpose or interest which the Department of Public Works seems to be planned to serve is to *provide a central or common engineering staff* and other necessary aids to the construction and operation of buildings and other structures, mechanical and other material devices and facilities, needed by any department of the government in the performance of the public service functions to which its specialized "faculties" are to address themselves; (4) the specialized "faculties" which are set up and listed in the "proposal" of the National Budget Committee as "Inde-

pendent Establishments" so far as they have to do with "agriculture", "commerce" or "works", are either *regulative* or *operative* nationalized-undertakings. If this analysis of the purpose of the several departments enumerated is correct, then it would seem that the National Budget Committee plan before us has done violence to the principles of effective organization in a number of important particulars, as will appear from the paragraphs which follow.

5. A fifth question is raised with respect to the suggested allocation of the Bureau of Public Roads, which it is proposed to transfer from the Department of Agriculture to the suggested new department of Public Works. Simply because a corporation or government maintains never so large or never so competent a department for engineering planning and for construction is no reason why this engineering department or any branch of it should have also the determination of what work or works should be undertaken, or which of two or more projects is the more important. Roads are not an end in themselves. They have to do with and are an aid to agricultural, industrial or commercial development. The need for transportation is not a matter for a construction staff to determine. Whatever be the advantage of maintaining a common engineering service, however this may be organized and specialized and however efficient it may be for service, would it not be the part of wisdom to maintain in the Agricultural Department a bureau to study the needs for highway development, as a part of a scheme of state cooperation? Would not the same kind of facility be required in the department of commerce to study the needs for the development of trunk roads and trade routes? And if these promotive "faculties" are so provided in these respective departments, may they not have engineers assigned to them by "Works" for "preliminary surveys", and for "estimates", and then have the projects which are approved turned over to the "Works" department for construction?
6. Similar questions may be raised with respect to the

"reclamation services." These, like highways, are not an end in themselves; they have to do with and are an aid to agricultural development. Should they not be planned as a part of an agricultural development program—the "faculties" for promoting which are in that branch of the public service? Why should not this department have a reclamation bureau or office and then call on the "Works" department for staff aids in planning a developmental program consistent with the agricultural interests—turning over projects for details of specification and construction to the governmental engineering service? Without this we may have another long series of "Works" misadventures that will parallel the Rivers and Harbors scandals.

7. Again having in mind the evident purpose of a department of commerce (a department with specialized "faculties" devoted to the promotion of the national interest in manufactures and foreign and domestic commerce) why have a group of services devoted to this interest set up as "Independent Establishments" such as the "United States Tariff Commission", and the "Federal Trade Commission"? Simply because they are organized as "commissions" would seem to be no reason why they should be detached—reporting to no one, and without an official contact that would help to correlate their activities to other services in the same field that have a common general purpose. Should not the need be recognized at least for "liaison", the bureau of "Foreign and Domestic commerce" with the Assistant Secretary responsible for these specialized services? Should not these "independent establishments" be "grouped" in the Department of Commerce, for purposes of Cabinet representation? Whatever be the virtue of "independence", there would seem to be no reason for making a virtue of ignorance, and working to cross purposes.
8. Having in mind the intimate relation of institutions of credit to commerce and industry, why should not a similar organic relation be established with the "Federal Reserve Board", the "War Finance Corporation"

and the "Farm Loan Bureau"? The primary purpose of the "Federal Reserve Board" is not to aid the "Treasury" in financing government loans; this agency has been nearly wrecked as an institution of commercial credit by having it so considered. Without question the "War Finance Board" name should be changed; so far as it is to be further availed of it should function with the "faculties" devoted to the working out of a national program for the promotion of industry and commerce. There may be question as to whether the "Farm Loan Bureau" should not function with the faculties devoted to the promotion of agriculture. But there would seem to be no reason why it should remain in the Treasury. Assuming that there is a reason why this should be in a position to act independently (to prevent the agricultural "promoting" interests from running away with the enterprise) the Farm Loan institution could be put under a separate board that would give it an independent status in exercise of discretion, but still make it a part of a "department" for purposes of planning and executing policies, and correlating activities of vitally related groups.

9. The same kind of question may be raised with respect to the "Interstate Commerce Commission", the "United States Shipping Board", the "United States Railroad Administration", the "Panama Railroad Corporation", and the "Panama Canal". These are all services and faculties for the promotion of commerce. Why should there not be set up in the Department of Commerce a branch, under an assistant secretary, charged with the duty and responsibility of correlating these organs or agencies of public service. They might still retain their separate corporate existence, but be brought into a close working relation with the department devoted to the upbuilding of commerce and industry. But the nation cannot act intelligently in its effort to build up a merchant marine unless this is considered part of a program which includes tariffs, markets, selling organizations, credits, and production.

These are all interrelated parts, and no one of them can be intelligently considered or developed by itself.

10. Assuming that the Department of Interior is to be disbanded by transfer of functions, and in its stead a department established as suggested by President Harding for the development of national program of Social Welfare, including the related "faculties" devoted to "Education", "Health" and what is more narrowly considered as "Social Welfare". Then, with this organic provision for correlation of functions why could not the benefits of "Specialization" be fully availed of by having each of these specialized "faculties" put under a separate assistant secretary? And then, if this is done, why should not the Smithsonian Institution with its related enterprises—The "United States National Museum", the "International Exchange" the "Bureau of American Ethnology", the "Astrophysical Observatory", the "National Zoological Park", the "International Catalogue of Scientific Literature"—all of them be brought by liaison into working relation with the "Faculties" under the Assistant Secretary for Education? And why should not the "Federal Board for Vocational Training" and the "Vocational Rehabilitation Section" be brought under the same authority? Why should not a bureau or office for "liaison" with the various health agencies under the Army and Navy be set up under the Assistant Secretary for Health? Why should not the "Children's Bureau", the "Superintendent of Prisons", a "Bureau of Parole, Probation and Pardons", and the "National Home for Disabled Soldiers" be under an Assistant Secretary for Social Welfare? Then, if the social insurance and pension features of the federal government were brought under an Assistant Secretary for Compensation, would this not give to the people a well-rounded "faculty" for serving their social welfare interests, capable of almost indefinite development?¹

¹ This is based on the assumption that "Education", "Health" and "Social Welfare" are to be brought together under a single Cabinet officer. Should any of these be set up as a separate department, it would be necessary only to elevate the corresponding assistant secretary to cabinet rank and provide for liaison.

11. Why should there be a list of eighteen "Independent Executive Establishments" set up (or, for that matter, any office or establishment) that is not required to report to or through one or another of the department heads, thereby depriving them of representation in the Cabinet, and depriving the President and the people of the benefits of close coordination of the working parts of the public service? Even considering the President and his Cabinet only as a "superintendency", there would seem to be very cogent reason for giving to the service coherence.
12. Why should not the following "Independent" bureaus and offices be constituted under a "Secretary of Administration", who would be in the Cabinet and act for the President as a staff organization to aid him in keeping in touch with and correlating the several services devoted to problems of administration and personnel: "The United States Bureau of Efficiency"; the "Bureau of Supplies"; the "Central Purchasing Committee", the General (administration) Accounting Offices"; the "Civil Service Commission", the "Committee for the Standardization of Salaries and Grades"?
13. Why should not the work of the "Pan-American Union" and the various "International Commissions" be correlated by proper organic arrangements with the Department of State—and, so far as they function for our federal government, be represented in Cabinet by the secretary of that department?
14. Why should not the "National Advisory Committee on Aeronautics" be correlated by proper organic arrangements with the Departments of "War" and "Navy"?
15. Having in mind the fact that the heads of public service departments in the "Cabinet" of the President are all responsible for the exercise of executive "powers", independent judgment on the part of the chief executive would seem to require that he have subordinates who are "purely advisory". That is, there would seem to be need for detachment from executive responsibility on the part of those carrying on investigation and giving expert advice in the de-

velopment of a correlated program. Especially would this seem to be true in the development of a program of national welfare (a program of "conservation" using the term in its broadest sense). With this end in view would it not be well for the President to have a non-executive "purely advisory" staff or group (as well as an "executive" Cabinet devoted to this interest) made up of persons of known ability who may be found willing to serve in helping to shape plans and provisions for *social* and *material* welfare. Would not this be one of the most effective ways of organizing to "promote the general welfare" in the sense this term is used in the constitution when describing the duties of the President? Would not a "National Conservation Commission" whether voluntary or employed as an aid to "planning" and review of the "execution" of plans for public service, be a desirable part of an administrative or ministerial organization? Something further is said on this question below.

III

An "Alternative Plan" Submitted to make Executive Leadership Effective

In the section above, critical and constructive suggestion has gone to the "Proposal" of the National Budget Committee, which has not assumed to depart from or question the principle which has so long obtained, viz.: that the President and Cabinet are to be organized as a personnel set apart for supervising the various bureaus and offices placed under them by Congress—said Congress having taken over to itself and apportioned out to some eighty chairmen the function of leadership in matters of administration and finance. The "Alternative Plan", which is submitted herewith as a basis for discussion,¹ proceeds from quite a different principle of organization, viz.: that the function of "leadership" (*in planning* for administration and finance, *in explanation of plans* to Congress as a determining body, and *in the execution of plans* after they are approved) is an essential part of the "executive power"; and that the

¹ See Appendix, pp. 80-89.

function of the Congress or controlling body, so far as relates to administration and finance, should be that of enforcing responsibility, or accountability, for the manner in which this power is exercised by requiring the "executive" periodically to come before Congress and explain what has been done and what is the plan for the future, withholding financial support until this is done in a manner satisfactory to a majority.

This proposal to be made effective means: (1) that executive leadership be *institutionalized*—i.e. that an executive and not a *congressional* organization be provided for leadership in matters of finance and administration; (2) that the rules of Congress be changed to give to responsible executive heads "the privileges of the floor without a right to vote"; (3) that the organization for "leadership" in the Congress, so far as relates to matters of finance and administration, shall give way to and make possible the development of an effective organization and procedure adapted to carrying on the work of a second group of committees (listed on p. 63)—those organized for inquest, criticism, and discussion and for bringing the several branches of the public service out in the open.

Organization for Executive Leadership

For the purpose of this "Alternative Plan" it is assumed that approximately the same correlation of administrative "faculties" would be needed to make *executive leadership* effective, as would be needed to make the most of an "executive superintendency". Therefore the grouping of bureaus and offices of public service would be the same as that indicated in critical appraisal of the "Proposal" of the National Budget Committee. The "Alternative Plan" differs in *essential* only in that it undertakes to submit an outline, with a definite suggestion, for *executive leadership*—not as a recommendation of any particular detail but by way of proposing for consideration certain principles which it is thought should govern or guide those who are responsible for settling detail.

This suggestion is premised not only on the assumption that efficiency requires executive leadership, but also on the further assumption that a definite mechanism or *organization* is just as necessary for *leadership* as it is for service. And in this it follows past reasoning and experience in that

the forces that head up in Congress, for their purposes, have worked out a very elaborate organization for leadership. But for the purpose of this section of our memorandum it is assumed that the present very elaborate organization for leadership is of the wrong kind, and is in the wrong place. In the past, *executive leadership* has not been institutionalized. When the President retires, there is little left in the executive branch of the government except a lot of detached bureaus and offices; and after the new executive has become fully installed the newly created organization for leadership is personal, not institutional. For this purpose a further assumption is engaged, viz.: that the Constitution, providing as it does for the exercises of two kinds of executive power (*military* and *civil*) contemplates two kinds of executive leadership; and, therefore, there is need for two organized institutional groups for leadership in the Executive branch. More concretely: It is assumed that as leader, the chief executive should have the institutional means of discharging his responsibility for planning and (after plans submitted are approved by Congress) for directing two kinds of national programs—one for *national defense* and the other for *national welfare*. And that, as an incident to both of these public service programs, it is thought the executive should be responsible also for planning for *financial support* and *administration*.

With these assumed ends of organization for executive leadership in mind, it may be observed that in the "alternative" plan submitted, an executive cabinet of twelve departments heads is suggested;¹ that under the President and his executive Cabinet three specialized executive groups would be provided for, to which are given the names (1) "National Defense Council"—a war cabinet; (2) "National Welfare Council"—a peace cabinet and (3) the "Administration Council"—an executive or central administrative staff.

In the "Administration Council" (first mentioned in the

¹ The twelve departments would be: (1) State; (2) War; (3) Navy; (4) Justice; (5) Social Welfare; (6) Labor; (7) Agriculture; (8) Commerce; (9) Public Works; (10) Post Office; (11) Treasury; (12) Administration. For this purpose the proposal which has been favored by President Harding for a Social Welfare Department, instead of two or possibly three separate departments (Education, Health and Social Welfare) is adopted.

outline, because the questions to which its "faculties" would be addressed are those nearest to the President and common to the whole public service)—in the "Administration Council" would be an "Assistant Secretary to the President for Administration", Secretary of Treasury, and Secretary of Administration.

In the "National Defense Council" (or war cabinet) would be at all times an "Assistant Secretary to the President for War", the Secretary of State, the Secretary of War, the Secretary of Navy, the Secretary of Treasury, and the Secretary of Administration (or assistants representing the last two).

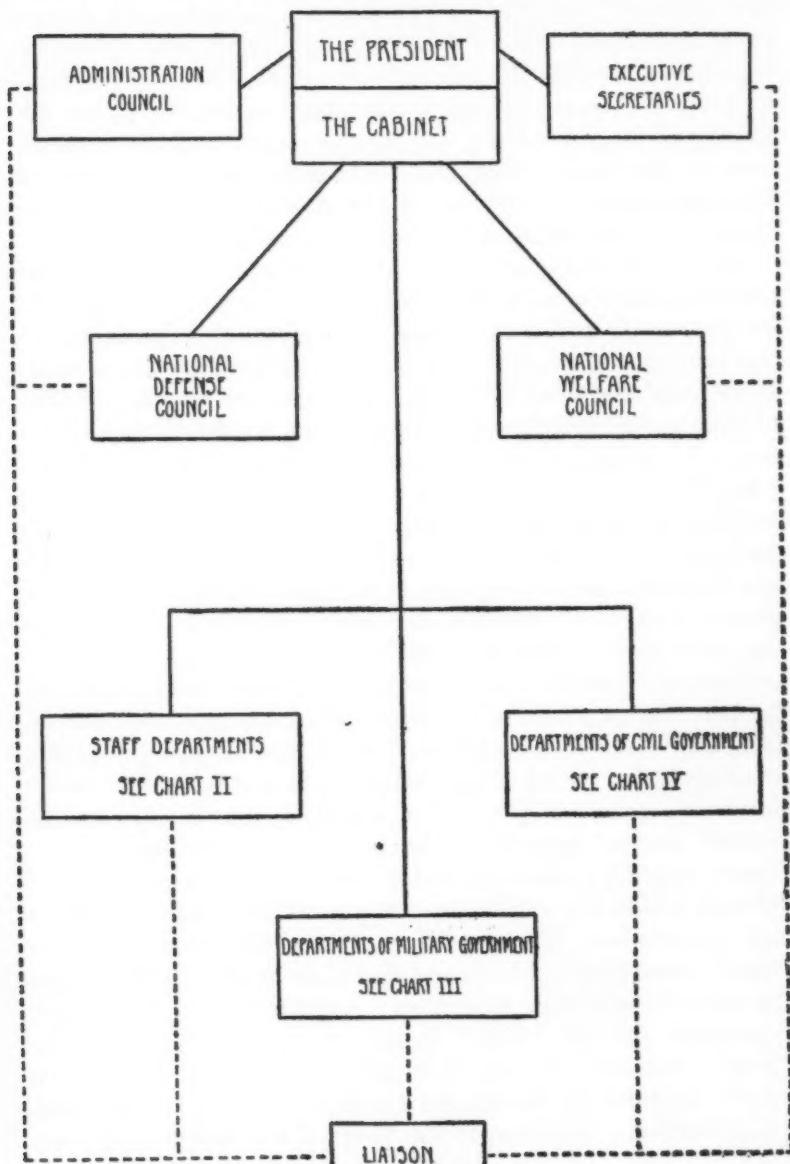
In the "National Welfare Council" (or "Peace Cabinet") would be at all times an "Assistant Secretary to the President for National Welfare", the Attorney General, and Secretaries of Social Welfare, Labor, Agriculture, Commerce, Public Works, Post Office, Treasury and Administration (or assistant representing the last two). Some such an organization for executive leadership as this would enable the president and his executive cabinet to keep in touch with every part of the Public Service, 365 days in the year instead of relying on "sittings" and "hearings" as do most of the congressional committees, or leaving the development of the service to heads of bureaus working with committees.

The outline of the "Alternative Plan" attached is graphically expressed in the text by four charts, the purpose of which is not alone to help to visualize the leading characteristics of the suggested organization for executive leadership, but to illustrate a principle and still further emphasize the incompatibility of leadership of the kind which now exists (leadership by chairmen of standing-committees) with economy and efficiency. First be it noted that on these charts repeated use is made of two terms—"Line" and "Staff". These are names given to two kinds of "faculties" to be associated in the central executive and departmental councils, that are assumed to be needed by a directing head—"faculties" exercising different kinds of executive functions which must be distinguished by persons who would think clearly about organization for efficiency.

An effective organization for any kind of group action (especially one that is complex and highly specialized) corres-

CHART I

A SUGGESTED ORGANIZATION FOR CENTRAL EXECUTIVE LEADERSHIP

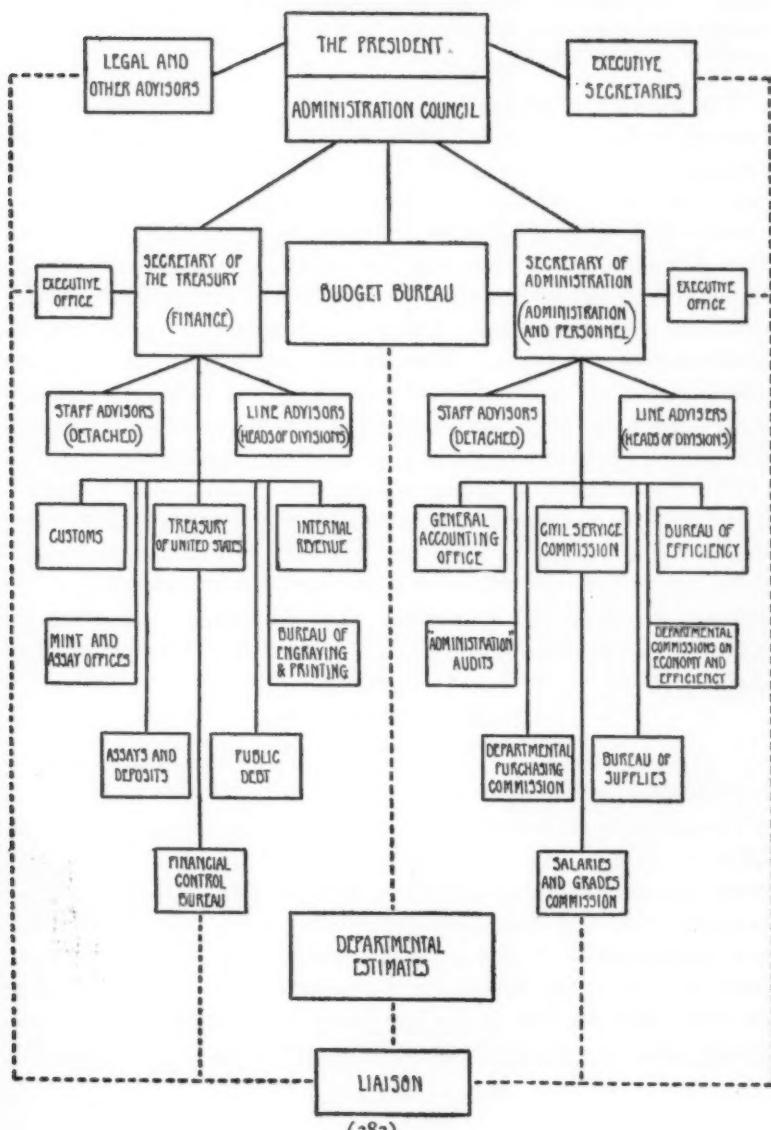


ponds in many ways to the biological organism for the motorization of the human body. Superior to all action of the human motor-parts rises the actuating controlling *will*. But the *will* cannot be serviceable to the body unless it is aided by two kinds of "faculties": (1) a group faculty which devotes itself to the perception of environmental facts and to reasoning about them—to the orientation of the controlling will; and (2) a group faculty which devotes itself to impressing the authority of the controlling will on the cooperating motor-members of the body. The end for which one group exists is knowledge; the end for which the other exists is to translate the controlling *will* thus informed into *action*.

In like manner every well-ordered group management must have an actuating will—an executive with *authority* to "order" or command; and it must have two kinds of organization—one kind made up of a personnel specialized in such manner as to make the *head* intelligent and another kind specialized to develop discipline and make the *actuated members* responsive. In organization for leadership it is quite necessary that "faculties" be provided with a view to make the controlling *will* intelligent as in the human. And it is quite as necessary that lines of communication for the transmission of orders shall run from the controlling will to the motor-members with authority to compel prompt and effective response. On the one hand must be a specialized "*staff*" personnel quite independent of the motor mechanism, which for the head constitutes the faculties of perception and reasoning about environmental facts and conditions to be dealt with outside and inside the associate body; on the other hand must be a specialized "*line*" personnel, quite independent of the staff, that constitutes the needed line of authority—the motor extensor and motor flexory nervous system by which discipline is established and through which the various actuated parts are made coordinate and cooperative. To be effective, both the "*line*" and the "*staff*" must be attached to and find their interrelation through the controlling will or executive. Anything which may make it possible for the "*line*" to act on the suggestion of the "*staff*" without clearing through a responsible "*executive head*" operates to defeat the function and purpose of staff specialization. Speaking to the point of the institutional pur-

CHART II - AN ADMINISTRATION COUNCIL

A SUGGESTED CENTRAL STAFF ORGANIZATION TO AID THE PRESIDENT IN THE EXERCISE OF LEADERSHIP AND CONTROL OVER THE SEVERAL DEPARTMENTS OF THE PUBLIC SERVICE



pose of line and staff organization, Harrington Emerson gives a useful illustration:

A striking example of staff knowledge at the Service of line authority [says he] occurs occasionally on submarines. These boats carry cages of mice. Mice vociferously object to the poisonous gases arising from leaking gasoline or escaping hydrogen. The shrill squeals of the mice call attention to the dangers, and the commander who neglects the warning renders himself liable to courtmartial. Yet the mice exercise no authority and the commander has no personal knowledge. It is staff counsel acted on by line authority that conquers the danger.

The idea that lies back of the "staff" organization is expressed in the old adage, "knowledge is power". The line as distinguished from the staff is the instrument through which the power of knowledge may be grasped and used. The principles which govern all staff activity are principles of science. The principles which govern line activities are principles of organized cooperative society—principles of established human authority and discipline. The organic principle of the line is *obedience* to command. The organic principle of the staff is *individual effort and initiative* devoting itself to search for the truth—the acquisition of knowledge, the discovery of natural laws which operate to control men as well as matter.

The fundamental difference between "line" and "staff" is made more apparent by consideration of standards of perfection to be attained by each. The end of line training and discipline is prompt, effective response without thinking, *i. e.* without the need for thinking. Apt illustration of what is expected of the line is found in Tennyson's "Charge of the Light Brigade"

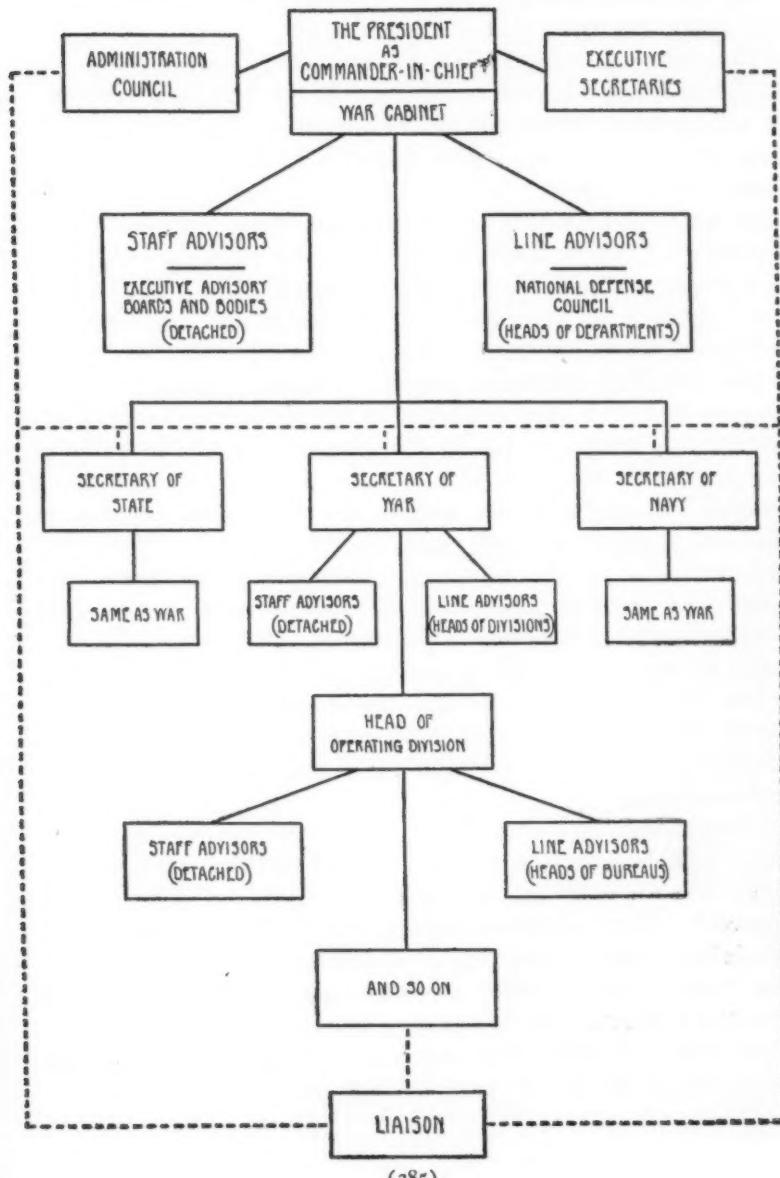
Theirs not to reason why,
Theirs but to do and die.

in obedience to command.

The purpose of training in "Staff" organization is quite a different thing. It is not *discipline* or reflex action, but *knowledge*—knowledge of things as they are, broadening the scientific basis for executive judgment. The purpose of the staff organization is not prompt obedience to discipline and command for *doing* things without question or thinking what the result will be, but to lay the basis for thinking, for questioning and reasoning about ascertained facts and conditions

CHART III

A SUGGESTED ORGANIZATION FOR LEADERSHIP IN THE EXERCISE OF THE WAR POWERS OF THE EXECUTIVE UNDER THE CONSTITUTION



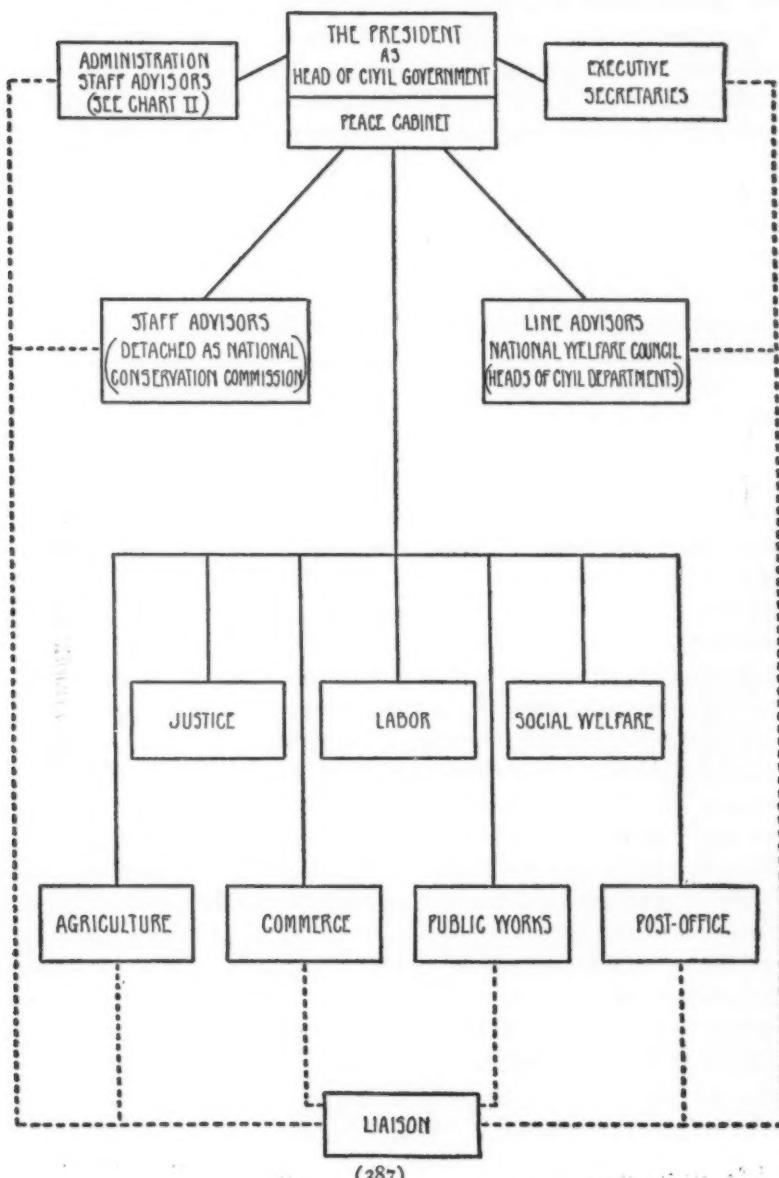
in order that the management may have a better and broader basis for *planning*, for deciding how the disciplined line can be most effectively used to get results, and for making improvements in the line discipline which is to be administered from local centres—if need be, changing the discipline, modifying the reflex action of the organization, with a view to conserving its energy and material resources.

Following this digression by way of enlargement on the principle of organization made use of in the "Alternative Plan" as a suggested device for institutionalizing executive leadership, let us turn to the exemplification of the principle as depicted in the charts. The purpose of Chart I (p. 51) is to show how the President as the chief executive, (the one whose function is to serve the body politic as the chief directing will of the motor-organization) might be provided with the "faculties" needed for intelligence in *planning*, and for efficiency in the *execution of plans*. The suggested departmental organization and the suggested group "councils" have for their purpose to give to the President in all matters of general administrative program (as in the preparation of the budget) two kinds of aids: on the one hand the "Administration Council" as *staff advisors*, and on the other hand department heads of the motor-organization in the executive "Cabinet" who would be his *line advisors*. Members of the President's "staff" advisory council would have no power to issue orders to anyone outside their own departments. All executive orders based on staff knowledge would go out from their chief executive, for the shaping of which the President would have the benefit of counsel from all the investigative, contemplative "faculties", as well as the faculties of generalization based on line experience.

The purpose of Chart II (p. 53) is to indicate an application of this principle to the two departments the heads of which with the President would constitute the "Administration Council". Each of these department heads (Treasury, and Administration) in turn might be similarly provided with his own "staff" and "line" advisors—*staff* advisors detached from the motorized-service-groups, for the purpose of investigation and report and line advisors, composed of his assistant secretaries in charge of the motor-groups.

CHART IV

A SUGGESTED ORGANIZATION FOR LEADERSHIP IN THE EXERCISE OF THE CIVIL POWERS OF THE EXECUTIVE UNDER THE CONSTITUTION



The purpose of Chart III (p. 55) is to indicate an application of the same principle to planning and the execution of plans having to do with problems of National defense, including those international relations that rest on diplomacy. The National Defense Council would aid the President in the exercise of his constitutional powers as Commander in Chief of the Army and Navy, and the protection of American interests abroad. The chart also is drawn to show how like provision might be made for "staff" as well as "line" advisors at every point in departmental *organization for leadership* all the way down the line at every point where executive discretion is to be exercised.

The purpose of Chart IV (p. 57) is to indicate an application of the principle to the planning and execution of plans having to do with problems of National Welfare—the exercise of the powers of the president as head of the Civil governmental establishments.

The further purpose of the charts as well as of the "outline" shown in Appendix is to indicate how the function of leadership may be institutionalized to give to the President the ability at any given moment to focus all the information and experience (gained by the associate personnel of the government through specialization and selection over a long period of time) on any question large or small that might come to the chief executive, or any of his assistants for decision. On the charts the process of specialization for "line" and "staff" functions has been carried down several points, or through several ranks, not only to indicate that this should become a part of the permanent structure (the personnel of which would not change with each changing chief executive) but also to suggest that there must be a coordination of the "staff" faculties and a coordination of "line" faculties from top to bottom. The thought is that the "staff" organization and likewise the "line" organization, for effective leadership, must each radiate from the head—each branch by process of specialization branching again and again at points of local radiation from each subexecutive or person in position of authority, but each person so specialized in either staff or line being within call, and subservient to those in command.

IV

Implication of the "Alternative Plan" as related to Congressional Organization

Point is made that leadership in matters of finance and administration has been institutionalized in Congress; and that it has not been institutionalized in the executive branch.

What is here suggested with respect to the Congressional organization (the representative, appropriating branch of the government) is not the result of abstract academic reasoning. Whether the present organization is studied analytically from the viewpoint of one who reasons from preconceived notions of adaptation of organ to function, or from the viewpoint of experience, the same conclusion is reached. Any competent person, dissecting our governmental organism to discover what is needed to make it a more efficient instrument of service, would conclude that it must necessarily be weak and wasteful to the extent that its motor-organs lack the means of co-ordination and discipline through staff-guided executive leadership. That which judgment based on reasoning affirms, the verdict of history confirms. The administration of our public service has been weak and wasteful to the extent that Congress has undertaken to perform the function of leadership and has interfered with the development of executive initiative. On occasion, national emergency, as in time of war, has made it necessary to turn from the standing committee system to the executive for leadership. But at such times the functioning of the administration has been wasteful because the organs of executive leadership have been improvised, extemporized; and the use of power has been irresponsible because of the lack of an effective organization in Congress for doing what is necessary to hold executive leadership to account.

It is thought by the writer that little can be achieved through efforts directed toward making the administration more efficient as long as it is assumed that the problem is solely one of rearranging the bureaus and offices of the executive branch of the government. This conclusion seems warranted for two reasons: (1) because Congress, the determining and appropriating body will not consent to the building up of a well-integrated line and staff organization that centers in the executive;

i. e., it will not do so while it retains its present organization for leadership; (2) because the people will not and cannot be expected to support an efficient administration until Congress develops means of inquest and control through which the people may be kept informed, and the executive may be made responsive and responsible. Strong executive leadership is incompatible with democracy unless it is based on good-will. The constitutional purpose of the representative body is to provide a means whereby the acts and proposals of the executive may be brought to the test of support. The problem of efficiency is therefore one which includes Congress as well as the executive branch.

Taking stock of the organization now set up by Congress, we find its machinery is not designed to perform this function; it is designed rather to take leadership in matters of administration and finance. That is about all there is to it—while the machinery of inquest and deliberation is only an accessory to be used to prevent executive leadership, and to break down executive discipline in case the President does not approve and support the leadership of the "chairs". An analysis of the committee organization and procedure gives ample proof of the assertion that Congress has organized its own membership for leadership in matters of finance and administration; and for preventing the development of line and staff faculties in the executive branch.

For the purpose of this analysis the same classification is used as in the outline of administrative services. The items starred would have a double relation; they may be taken up in one or another department responsible for the related series.

**ORGANIZATION FOR THE EXERCISE OF LEADERSHIP BY MEMBERS OF CONGRESS
IN THE FIELD OF EXECUTIVE RESPONSIBILITY**

1. In the Senate

(a) Pertaining to National Defense and Foreign Relations

Army

- (1) Coast Defenses
- (2) Military Affairs

Navy

- (3) Naval Affairs

State

- (4) Canadian Relations
- (5) Cuban Relations

- (6) Pacific Islands and Porto Rico
- (7) Phillipines
- (8) Territories

(b) *Pertaining to National Welfare*

Justice

- (9) Indian Depredations
- (10) Investigation of Trespassers on Indian Lands

Social Welfare

- (11) Indian Affairs
- (12) Pensions
- (13) Public Health and Quarantine
- (14) University of the United States
- (15) Five Civilized Tribes of Indians

Labor

- (16) Immigration

Agriculture

- (17) Agriculture and Forestry
- (18) Irrigation and Reclamation of Arid Lands *

Commerce

- (19) Banking and Currency
- (20) Census
- (21) Commerce
- (22) Conservation of National Resources *
- (23) Corporations in the District of Columbia
- (24) National Bank
- (25) Industrial Expositions
- (26) Inter-oceanic Canals *
- (27) Interstate Commerce
- (28) Manufacturers
- (29) Mines and Mining *
- (30) Pacific Railroads *
- (31) Patents
- (32) Railroads *
- (33) Standard Weights and Measures
- (34) Transportation Routes to the Seaboard *
- (35) Transportation and Sale of Meat Products

Public Works

- (36) Coast and Insular Survey *
- (37) Mississippi River and Tributaries *
- (38) Public Buildings and Grounds *
- (39) Public Lands

Postal Administration

- (40) Post Office and Post Roads

(c) *Pertaining to National Finance, Administration and Personnel*

Treasury

- (41) Appropriations

(391)

Administration and Personnel

(42) Civil Service and Retrenchment

2. In the House of Representatives

(a) Pertaining to National Defense and Foreign Relations

Army

(1) Military Affairs

Navy

(2) Naval Affairs

State

(3) Foreign Affairs

(4) Insular Affairs

(5) Territories

(b) Pertaining to National Welfare

Justice

(6) Judiciary

Social Welfare

(7) Alcoholic Liquor Traffic

(8) Education

(9) Indian Affairs

(10) Invalid Pensions

(11) Pensions

Labor

(12) Immigration and Naturalization

(13) Labor

Agriculture

(14) Irrigation of Arid Lands *

(15) Agriculture

Commerce

(16) Banking and Currency

(17) Census

(18) Coinage, Weights and Measures

(19) Industrial Arts and Expositions

(20) Interstate and Foreign Commerce

(21) Merchant Marine and Fisheries

(22) Mines and Mining *

(23) Patents

(24) Railways and Canals *

(25) Rivers and Harbors *

(26) Roads *

(27) Water Power *

Public Works

(28) Flood Control *

(29) Public Buildings and Grounds *

(30) Public Lands *

Postal Administration

(31) Post Office and Post Roads

(392)

(e) Pertaining to Finance, Administration and Personnel

Treasury

- (32) Appropriations
- (33) Budget
- (34) Ways and Means

Administration and Personnel

- (35) Reform in the Civil Service

With this organization for apportioning out leadership in matters of administration, finance, and the selection of personnel among seventy-seven different "chairmen", who link up with and hold their jobs by service to "parties" outside the government that live on patronage—just think what a fine chance a man of commanding executive ability has to build up an efficient Department of Commerce. Without any opportunity to appear before the members of Congress to explain and defend measures which he may think necessary to the rendering of the important public services which his department is expected to administer, he must work in the dark with one or another of 29 different chairmen among whom have been allotted the function of leadership.

Now, from this list of congressional leaderships in matters of finance and administration let us turn to the organization in Congress for inquest, criticism, approval or disapproval of executive leadership—an organization which, of course, has nothing to do unless the executive undertakes to do some independent leading.

ORGANIZATION IN CONGRESS FOR INQUEST OF THE ADMINISTRATION

1. Committees in the Senate

- a. Examine the several Branches of the Civil Service
- b. Expenditures in the Department of Agriculture
- c. Expenditures in the Department of Commerce
- d. Expenditures in the Department of Interior
- e. Expenditures in the Department of Justice
- f. Expenditures in the Department of Labor
- g. Expenditures in the Department of the Navy
- h. Expenditures in the Department of Post Office
- i. Expenditures in the Department of State
- j. Expenditures in the Department of Treasury
- k. Expenditures in the Department of War

2. Committees in the House of Representatives

- a. Expenditures in the Department of Agriculture
- b. Expenditures in the Department of Commerce
- c. Expenditures in the Department of Interior
- d. Expenditures in the Department of Justice
- e. Expenditures in the Department of Labor
- f. Expenditures in the Department of the Navy
- g. Expenditures in the Department of Post Office
- h. Expenditures in the Department of State
- i. Expenditures in the Department of Treasury
- j. Expenditures in the Department of War
- k. Expenditures on Public Buildings
- l. Select Committee on Expenditures in War Department

Below are the other committees through which Congress functions—an organization which addresses itself to questions or membership, procedure and legislation, as distinguished from leadership in matters of administration, finance and service personnel:

ORGANIZATION OF CONGRESS FOR HANDLING THE ROUTINE OF LEGISLATION, ETC.

1. Committees in the Senate

- Audit and Control the Contingent Expenses of the Senate.
- Engraved Bills
- Enrolled Bills
- Printing
- Rules
- Disposition of Useless Papers
- Claims
- Woman Suffrage

2. Committees in the House of Representatives

- Accounts
- Mileage
- Enrolled Bills
- Library
- Printing
- Revision of Laws
- Rules
- Dispositions of Useless Papers
- Claims
- Elections
- Election of President, Vice-President, and
Representatives in Congress
- Woman Suffrage

The above three lists, taken from a copy of the 1920 Congress-
(394)

sional Directory, may not be complete or up to date. But the picture is true, in that it shows the extent to which Congress has gone to preserve to itself leadership within the field in which the executive would be much better qualified if his organization had not been sabotaged. The point here made is: that, by the act of taking over this leadership, Congress has unfitted itself for performing the constitutional functions that a representative system is assumed to perform—to serve the people as their agency of vigilance and prepare the way for the "electorate" to determine whom they will trust and follow as leaders—to be the medium through which leadership may be made efficient by reconciling it with good-will.

As has been pointed out, the only organization that really functions in Congress is that devoted to *leadership* in matters of administration and finance. In these committees the life and purpose of the government centers—except at the beginning of an administration before the new appointments have been made. Before the administration of public affairs can be efficiently managed, a line and staff organization must be instituted in the executive branch that links up the motor parts with a responsible head. At present the "chairmen" of committees, first above listed (with the "party" leaders and caucus) are the government of the United States. Instead of ours being a government which provides for a chief executive responsible to the people, and two other branches which undertake to conserve good will (the one political and the other judicial), we have an irresponsible leadership made up of the "leading" and "ranking" members of the forum established to make executives accountable for doing what they have refused to permit them to do, and which Congress has insisted on doing itself. When adequate provision is made for executive leadership in matters of finance and administration, the first list of Congressional committees will die of atrophy.

As has been said, the second group of committees, above listed (those organized for inquest of the administration) are the ones adapted to performing the true functions of Congress. At present they do not function except when the Cabinet belongs to a different party or for the purpose of maintaining the dominance of the "chairmen" in their leaderships. The processes of inquest in both groups are secret.

All decisions and congressional determinations are reached through "gentlemen's agreements" between the "chairs" or between them and the President.

The third group of committees is simply the machinery for "putting over" the arrangements made between chairmen (or between chairmen plus party leaders) *on the floor*—an arrangement for getting the approvals of members of Congress required by the Constitution for making their acts legal. Instead of the representative body acting as an open forum for inquest into the acts and proposals of the administration and for the trial of questions at issue, using a procedure that will *inform the people*, the whole system is framed up to defeat this end. This is said without imputing to any member a motive to work secretly. It is the logical and necessary outgrowth of a procedure developed to promote leadership in matters of finance and administration by members of an inquisitorial appropriating body. It is an interesting fact that in time of peace Congress is charged by the public with the resulting inefficiency and waste; and, when from public necessity the standing committee leadership is set aside in time of war, the President is charged with resulting inefficiency and waste. Then this war-time waste is made the evidence used to reestablish a leadership that the "chairman" had to part with to keep the government from being overthrown by foreign foes.

If it be assumed it is desirable to reorganize the administration in such manner as to provide for executive leadership, and fix responsibility on the cabinet, such decision must carry with it the question as to what changes in the rules of Congress are needed to make this possible; or in case Congress refuses to change its rules, the people must take matters in their own hands and force it by constitutional amendment giving to the cabinet the privileges of the floor. The suggested committee organization which follows is based on the assumption that Congress will be willing to change its rules and provide a procedure to make the representative appropriating branch of the government an effective agency of inquest and criticism of the administration. That is, the rules governing the "committee of the whole", the organization of "standing committees", and the rules governing the "regular meetings" before which such questions come, should be adapted

to a full and fair trial of issues of political and social justice raised between administration leaders and their critics. The institutional purpose being to make those who are entrusted with the exercise of powers give an account of their stewardship, as a means of making efficient administration possible without the danger of usurpation, the requirements of public policy would demand that precautions should be taken to have decisions based on evidence and a full public hearing. In other words there is the same need for definition of issues, and for trial on evidence in open forum as in a court of law.

The further assumptions on which this suggestion is based are (1) that parties (in the sense of intra-national groups of persons who are single-minded or who have common interests in relation to questions in controversy)—that parties are necessary and desirable; (2) that a "division" is the necessary result of the adoption of any procedure of justice which calls for a vote "yes" or "no" on a single well-defined issue, at a time; (3) that responsible leadership is just as necessary to inquest and the trial of issues—is just as necessary to arriving at a decision by a constituent or representative group—as it is for effective group motorization and achievement; (4) that for the determination of any controversy arising over a question of group justice there must be a *proponent* and an *opponent* leadership—the one seeking or defending an action or proposal for action, the other seeking a judgment or vote against it; (5) that organization for inquest and discussion before a deliberative or constituent body, therefore, should be around, and the procedure should provide for, these two kinds of, leadership—those who are *for* and those who are *against* the motion or petition; (6) that for trial of questions arising out of executive leadership the procedure should admit this leadership to the forum and provide an effective means for carrying the cause through the various steps to a final determination before the voters if need be without confusion of issues or responsibility.

With these several hypotheses in mind, it is suggested that organization for leadership within Congress, having to do with questions of administration and finance, should be on the following lines: There should be uni-partisan organization in Congress for leadership at the trial—*i. e.* whenever and where-

ever Congress undertakes to define issues joined, adduce facts supporting the contentions of parties, or hear argument.

1. There should be a centrally controlled *pro-administration* leadership, selected by the executive, that would have the standing of an attorney or attorneys for the administration before the bar of the House or Senate.
2. There should be a recognized *opposition* leadership—a recognized leadership opposed to the policy and program of the executive—chosen by the critical-minded members to bring out the facts and arguments on that side of the case; and when so chosen the opposition leader, whether a member of the house or not, should have the privileges of the floor just as attorneys do in cases of contested elections.
3. There should be two kinds of committees—as at present—but organized on uni-partisan lines, each to assist the leaders. By reason of the fact that the administration would have adequate staff facilities to prepare its briefs-on-the-facts its membership committees would be for the purpose of determining party policy and managing its interests among the membership friendly to the administration. But by reason of the fact that the opposition leadership would have no staff in the administration, its standing committees should have powers of inquest similar to those given to the present "committees on expenditures"—in other words the critical standing committees should be of the opposition, to assist the opposition leaders to prepare its cases against the administration.
4. The only need there would be for bi-partisan, or multi-partisan committees, would be to report on matters of procedure, and to prepare for the consideration of matters which do not involve issues or excite controversies over questions of finance and administration.

This would mean that every issue or question to be discussed and voted on involving a question of finance and administration would be tried before the whole membership by representatives of *parties*—a *pro-administrative* party leadership on the one side and an *opposition* party on the other—each of which would be given all the facilities for preparing its cases in advance;

and the whole membership would have the benefit of a trial procedure which would give to each contestant a right to adduce evidence, to each the right of cross examination, to each full opportunity to be heard in public session before vote is taken.

To make this suggestion concrete: Let us suppose that the passing of the annual budget (prepared and submitted by the President) were the question before Congress. In the preparation of the budget all the "line" and "staff" faculties of the administration would be used. First the line and staff aids to each bureau head would have been employed, under the direction of the heads of line and staff of the department; then they would have had their results considered and focused through group heads in the "National Defense Council" on the one hand (preparing a military program), and in the "National Welfare Council" on the other hand in (preparing a national conservation and public service program). Thus in each department the executive would have made the proposals coming from his departmental council his own, before bringing them to the higher "Council", where they would be reviewed by the President and his advisers. Then the expenditure program as a whole would be considered in relation to revenues, by the President and the full cabinet, and the several programs ("Defense", "Welfare", "Administration and Finance") would be revised. As a matter of fact, with a well-coordinated system of administration, the detail programs of a budget would be constantly in process of making and under review all the year around—every decision made or to be made would have reference to a conscious plan. But once a year the several programs would be taken up as a "platform" of the administration which the cabinet would stand on when asking for support before Congress. And this would be brought before Congress in form for consideration of the whole membership at the beginning of the session. The only need that Congress would have for organization would be to make sure that the case of the *administration* be fairly and fully presented and explained, and that opportunity be given to the *opposition* to bring out every fact and argument that would aid members to vote intelligently as the jury; and that this be done in such a way that the people could listen in.

In order that issues may be intelligently raised and the relevant facts may be put in evidence by the administration, and by the opposition, equal opportunity must be given to the opposition to ask questions and to make independent inquiries into the acts and proposals of the administration. This would mean several things: (1) it would mean that the several critical or investigating committees of Congress (such as the present "committees on expenditures") should be selected and controlled by leaders or representatives of the critical-minded members (those who are questioning the acts and proposals of the administration on grounds of public policy)—and not, as at present, selected and controlled by "chairmen" as reward for service to the party supporting the administration. The purpose should be to provide the machinery in Congress for the exercise of "eternal vigilance"; (2) it would mean that the partisan leadership, having charge of the trial of the administration and the committees at work obtaining evidence of a critical character when the cabinet appear for the purpose of giving their account of stewardship and of asking for further support should have the benefit of preparation while Congress was not in session. The "departmental" committees on expenditures should be "recess" committees—*i. e.*, they should have access to records; these committees and the opposition leaders should have the right of inquest to prepare their case against the administration before the assembling of Congress, it being understood that such inquiries would be conducted, not in the newspapers, but as attorneys prepare their cases before going into court.¹

Then the budget, when submitted, would be the first pleading in a proceeding before Congress, instituted by the administration. This would be followed by motions of the opposition for further particulars and by interpellation of members of the cabinet. After sufficient time had elapsed, let us say three or four weeks given to further preparation on each side, then the trial could well begin. For this purpose the two houses could meet in joint session, or singly. The hearing could be had first on broad lines for the consideration of questions of general policy; then in detail. But all the data now adduced in stand-

¹ This is the place for secrecy—not as at present when and where the trial actually takes place.

ing committees could be brought out before the whole Congress and in the first few weeks of the sessions. Thus the trial would bring the whole governmental program into the open. The budget hearing would take on the aspect of a great national drama—a contest between great national leaders. This at least would give us publicity; at most we would have a "two-ring circus".

This is the alternative. The main business of the Senate and House each year would relate to one or another of three programs—"defense", "welfare", and "finance". And instead of having seventy-seven legislative mills going all at once, each with its own hopper and sets of rolls, and these without a rumble in separate sound-proof committee-rooms, the people could know, and the members who are called in to vote could know, what was going into the hopper, and what was coming out; and the electorate could locate responsibility for results when things went wrong.

V

Conclusion

The aim of this memorandum is not to submit or suggest a specific plan for reorganization, but to raise question as to whether we really want efficient and economic government. If we do want efficiency, then as a matter of every-day common-sense we know that the first thing to do is to provide for strong executive leadership and for getting rid of a leadership which can not be trusted. As a matter of historic reflection, we know that no executive can be strong without the good will of the people, which in a democracy must come through the development of a procedure in the representative branch that is competent to enforce accountability. Without this the people will not stand back of any kind of leadership. An ineffective leadership may be maintained by methods that give the people only a choice between evils. But those who are interested in the maintenance of our institutions must be vitally concerned to have established a procedure which makes for good will. When elections are merely pretenses and opportunity is not given to choose between real leaders who stand for something constructive we may well be apprehensive.

The Present Feeling of Unrest

Nor is there any uncertainty about the conclusion that popular disquietude, suspicion, ill-will has been growing and to such an extent that it has already become one of the most serious menaces to our republican institutional foundations. If in planning for efficiency we make the assumption that effective cooperation must be based on good-will motorized through leadership, then we have something more to do than is suggested by the "Proposal" of the National Budget Committee. We must do something more than re-align a few bureaus.

Irresponsibility and secrecy in government, the things of which the people complain, is not to be cured by bringing the head of the Senate into the Cabinet, and turning over to a "super-committee", composed of the "leaders" in the House, the power to make the budget. These changes may make irresponsible and secret government more orderly. They may make it easier to operate. But government is still irresponsible and secret. These are methods of secrecy and must in the end provoke ill will. They hold out a measure of hope, however; for the path of progress in human experimentation has been marked by misadventure. The way to human wisdom in institutional building has been the thorny road traveled through generations spent in finding out what not to do. Failure comes only to those peoples who cannot learn.

While a hundred and forty years of waste and inefficiency is a history that at first may invite discouragement, the hopeful thing about it is that during the last few years for the first time we as a nation have felt the need for public service enough to be interested in its efficiency; and for the first time we are now beginning to grasp the importance of the two essentials of efficiency—leadership and popular good-will. When these essentials are clearly seen by the people themselves there will be no uncertainty about their demand for institutional changes adapted to securing both.

Possibilities of Able and Responsible Leadership without Constitutional Change

Had not the interests of the political leaderships in Congress prevailed against Washington and Hamilton (and for that matter, against the exhortation of Madison in the Constitutional

Convention to beware of representative autocracy)—had not the "standing committee system" prevailed (which it could not have done if the Cabinet had been permitted to have the privileges of the floor) we would doubtless have developed something very like the French Parliamentary system here. Under the Constitution, we would have had a President with a fixed tenure as the personification of the sovereignty of the people; a Cabinet appointed by the President as the responsible heads of the several departments of the motor organizations of the government; the Congress in a position to enforce accountability and responsibility for leadership through control over the purse and inquest of the administration; the Cabinet forced to resign whenever one or more were unable to obtain or retain the support of a majority of both branches of the representative body. We probably would have done better than the French have been able to do, because we had no "monarchist" party, and no international necessities which would have brought into being a Napoleon; therefore, there would have been no background for the development of such a device as the French "commission" chosen by lot, one member from the representatives of each district (state) to whom would be entrusted the preparation of the national program or programs as intermediate between the Cabinet and the appropriating body—and the effect of which in France has been to break up the two party system and destroy solidarity of Cabinet responsibility. We would probably have first developed a system by which the President would have been permitted to keep in the Cabinet only men whom a majority of Congress would follow; and we would have had an executive leadership that would have been constantly before the country. In that case we would have had an executive who would have been looked to for leadership; and the people would have supported his demand for a procedure in the representative body by which he would have been given a chance to meet his critics face to face. This way is still open without change of a word of the Constitution. It would require only the change of the "rules". But there is the rub. Back of the rules, as they have been developed, is a century and a half of alignments and group habits, by which the motor-minded have adapted their plans and their leaderships to an irresponsible invisible "gov-

ernment-by-chairmen-of-standing-committees". Before the rules can be changed, public opinion must become so thoroughly convinced and "the people" so militant that it might be a safer and easier procedure to call a convention, and write a procedure into the Constitution than to change the rules. But if public opinion can be brought to demand a change in rules giving to the cabinet the privilege of the floor, decision as to what kind of further adjustment is needed would follow naturally from experience.

What questions would follow may be briefly stated: (1) We can have a responsible cabinet simply by change of the rules. In that case the head of the cabinet must be prime minister so long as the President has a fixed term. Our President would impersonate the dignity and sovereignty of the people; he would be responsible for the conduct of elections and appointments and the maintenance of the quality and efficiency of the personnel of the permanent or continuing civil service and for the appointment of a prime minister and Cabinet who would be held accountable for leadership in planning and the execution of plans—an arrangement fully provided for by our present Constitution, assuming that Congress might adjust its rules and procedure to this form of organization for reconciling efficiency and good will; (2) we can make the President our prime minister, responsible for the political leadership, instead of regarding him as a person chosen to represent national sovereignty. Thus we would elect our business manager or prime minister, but this would require a change in the constitution to provide for a new election in case of a deadlock; (3) in either case whether the President is to be regarded as prime minister or as the organ of sovereignty charged with the administration of election and appointing machinery and the protection of the integrity of the institutions established by the people—whether the one or the other—we still have before us the problem of a procedure which makes for publicity in order that the principle of popular sovereignty be made effective. But having provided for publicity through open-forum inquest of the administration, leadership is bound to assert itself.

If public opinion can be brought to the point of forcing Congress to change its rules, this would seem to be the normal and effective way, for after all institutions, like other things

that have life, must grow. And if public opinion cannot be brought to this point it would make no difference what was written into the Constitution. The old system and life would go on just the same. Of one thing we may feel assured: that a change of rules in a manner to give publicity to acts of government through giving to the executive the powers as well as responsibilities for leadership in open forum, could not do harm—even though no provisions were made either for the retirement of a discredited cabinet or for appeal to the electorate in case of a deadlock.

VI

Reply to Criticisms by Mr. Taft¹

Exception is taken to certain points made by President Taft with a feeling of very great respect for his superior wisdom—with a feeling of even greater gratitude and deference to him as the outstanding leader in the dramatization of the need of administrative reorganization and budget reform before the country. His is the one great name associated with the campaign of education that has been going on since 1910. Against the opposition of Congress, the budget idea, of which Mr. Taft became the advocate, has found expression in resolutions and platforms of political parties; a budget procedure became the subject of legislative action in forty-six of the forty-eight states; and finally it caused those who opposed it on Capitol Hill to run up a white flag. This is a great accomplishment, for which the chief credit is due to President Taft.

Discussing the proposed changes in rules of Congress, President Taft has commended my idealism; at the same time he questions the legal soundness and practicability of my "theories of government". I listened with very great interest to what he had to say, in order that I might further benefit from his counsel and advice. It gave me renewed confidence to note that he agrees with me both as to the legality and practicability of my main contentions. His criticism is directed to three points: (1) that I am standing for the British parliamentary system; (2) that I am asking Congress to tear down their standing committee system; (3) that I would destroy the independence of the two political branches of the government—the executive and Congress. These are assumptions I wish to correct—not alone because I have left such an impression in the mind of President Taft, but also because like impressions seem to have

¹ See *infra*, p. 90.

been made on the minds of other writers and public speakers who have done me the honor to discuss my position.

What I am urging is no more British than it is French, or Swiss, or Czechoslovak, or Finnish. What I am urging is that we as a nation in our search for the institutional means of making the government serviceable to democracy benefit from the experience of others—and especially that we take note of the devices which have been found effective for making the representative branch an instrument of popular control—effective as an institutional means of enabling the popular electorate to act as final arbiter of questions of leadership and public policy. The principle that I have enlarged on is the principle of the town-meeting—an organization and procedure in a representative system which would require those who are entrusted with leadership in public service to stand up before the voters and give an account of their stewardship; not alone this but also explain in advance and defend the plans or program for which they are asking for continued support. The only reason that the town-meeting cannot be used is, that 40,000,000 voters cannot sit together in conference. It therefore becomes necessary to select representatives to act for them. But having done this, they must insist on a procedure which will enable the 40,000,000 voters to "listen in" and on appeal have the final say—otherwise the representative system becomes an oligarchy; representative government fails to serve the ends of democracy. Now this proposition is simple enough, isn't it? And it is not to be thought of as a new or strange theory evolved by an academician. To put it another way: It is no more revolutionary or reactionary, no less American than the jury system. There was a time in Central Europe and in England when all the voters of small democratic communities came to sit as a court of justice. When these communities became too numerous and widely scattered, representatives were chosen to sit as a jury for the people, to hear cases and voice the common sense of the community as to what was just and desirable. And in order to make the decisions of these representatives acceptable to the people, a procedure was adopted which required, among other things: that the issues to be decided be clearly stated in such form that a conclusion could be reached by a "yes" or "no" vote; that the petitioner or defendant should be permitted to come into the court before the whole jury and explain or defend his acts or proposals; that the issues be tried on evidence and not on "hearsay"; that he be permitted to meet his critics or adversaries face to face; that he have the benefit of counsel; and that the whole trial be conducted publicly so that the news-gatherers could listen in, and not in "star chamber"; and finally that an appeal might be taken to a higher court on the evidence and arguments presented to

the jury. What I have been urging is that a procedure which conserves these fundamental principles be developed in Congress—the representative branch of the government established by our Constitution for the trial of questions of public trusteeship and for the determination of issues of political and social justice. It is my firm belief that until such a procedure is developed neither the executive branch nor the representative branch of the government may expect to enjoy the confidence of the people—in support of which position may I quote, not from the tomes of "theorists" but from the report of the only committee ever appointed by Congress for the consideration of the desirability of admitting the members of the cabinet to the privilege of the floor when questions of finance and administration are discussed :

Would it not be better that their opinions [the opinions of heads of departments] should be expressed, their facts stated, their policy enforced, their acts defended in open-day on the floor of the House, in the face of the nation, in public speech, in official, recorded statement, where there can be no hidden purpose, no misconception, no misrepresentation?

This would enlighten the House, inform the country, and be just to the officer. It would substitute a legitimate for an illegitimate power. It would establish an open, official, honorable mode of exercising that power instead of a secret unrecognized mode, liable to abuse, and therefore always subject to the suspicion that it has been abused. (Report of Senate Select Committee, Privilege of the Floor to Cabinet Officers, 1913, 63rd Cong., Special Sess., Sen. Doc. No. 4, p. 19.)

This doesn't sound "theoretical", does it? Isn't that just plain common sense, recognized as such not alone by these other countries that have been developing a representative system, but by every business corporation in the land? To make quite clear my position, may it be recalled that at the time our Constitution was adopted such a parliamentary procedure had not been worked out. We were the pioneers in establishing a federal representative forum—an institutional plan for making the principles of the town meeting effective in a large way. And after the Constitution was adopted, Congress refused to play this rôle. When Washington requested a hearing through Hamilton, congressional leaders refused to make our representative body a jury of the people. But when we look to the representative bodies of the nations which followed later in their constitutional development, we find they have done much. I am urging that we draw on this experience in so far as it may be useful, in adapting our constitutional system to the needs of a great democratic

people whose institutional foundations must be the good will, the intelligently guided opinion of our 40,000,000 voters.

With respect to the second point—I have not urged that Congress tear down its committee system (built up to further their own leadership), but that it provide an organization and procedure for the trial of causes involving questions of finance and administration and of persons to be held responsible for planning. This will mean the development of a committee system, which can function as aid to a fair trial of the administration. It will mean that instead of "gag rule" being applied to the opposition, the critical committees shall be the servants of the people to bring out the case against the administration; that the critical committees shall be built up around the leaders of the opposition, who will act as inquisitors in open forum. It therefore means that a very large number of the committees, some seventy-odd of them, as Congress is now organized to promote legislative leadership in these matters, will die of atrophy, when such a trial procedure is adopted.

With respect to the third point, that I would destroy the independence of the two political branches of the government, I am aware that the conclusion of President Taft has back of it an interpretation that runs through our legal and political literature to the first administration—an interpretation which assumes that it is an essential quality of our constitutional plan to keep the cabinet off the floor when Congress is in session for the transaction of business. But I believe that this interpretation grew out of a fight for leadership in which an appeal was made to prejudice for support of an unwarranted use of power on the part of Congress, the effect of which has been to destroy the very independence which it was the aim of the Constitution to establish. While the version accepted by President Taft has been continuously offered by members of Congress as a reason for building up the practices which have obtained, the cogency of this reasoning is questioned by the only congressmen who are on record as having given considerable study to the subject—the Senate select committee to which this matter was referred. In support of its findings, these men, who went into the whole question of constitutionality very thoroughly, had this to say:

Your committee is not unmindful of the maxim that in a constitutional government the great powers are divided into legislative, executive, and judicial, and that they should be conferred upon distinct departments. These departments should be defined and maintained, and it is a sufficiently accurate expression to say that they should be independent of each other. But this independence in no just or practical sense means an entire separation, either in their organization or their functions—isola-

tion, either in the scope or the exercise of their powers. Such independence or isolation would produce either conflict or paralysis, either inevitable collision or inaction, and either the one or the other would be in derogation of the efficiency of the government. Such independence of coequal and coordinate departments has never existed in any civilized government, and never can exist. . . . If there is anything perfectly plain in the Constitution and organization of the government of the United States, it is that the great departments were not intended to be independent and isolated in the strict meaning of these terms.¹

The point that I am making is that the result of the time-honored interpretation is and has been to produce conflict and paralysis between the two branches which would have been deadening but for the fact that an irresponsible secret leadership, exercised largely outside the government, has grown up and become the dominant power—a leadership which has been invisible, which could not be held accountable, and which has been able to perpetuate itself because the people have been deprived of the benefit of the publicity of an open forum procedure for inquiry into questions of political justice. It would be just as logical to say that it destroys the independence of action of citizens to require them to come into court in order that their controversies might be settled by a jury after full and fair trial, as it is to say that it destroys the independence of the executive to require the heads of departments to come openly before congress to give an account of their action and explain their requests for support. It would be just as logical to say it destroys the independence of the courts to abolish "star chamber" proceedings and provide for leadership in trials by attorneys for the parties litigant, as it is to say that the independence of Congress would be destroyed by looking to the cabinet for leadership in matters of finance and administration.

To conclude on this point—my thought is that what the American people are interested in, after a century and a half of miscarriages of political and social justice, inefficiency and waste, is not a constitutional theory which will continue to support boss-rule and invisible government but a working relation which (while guaranteeing the independence both of their executive trustees and Congress as the political court before whom they must come to give an account) will enable our 40,000,000 voters to know whom they may trust and follow—a procedure which will make Congress a vicarious national town-meeting. The procedures suggested are based on a conviction that this is the real constitutional purpose of our representative system.

¹ See *Report*, pp. 6-8, 63d Cong. Special Sess. Sen. Doc. 4.

APPENDIX

OUTLINE—SHOWING A SUGGESTED REARRANGEMENT OF OFFICES AND SERVICES OF THE FEDERAL GOVERNMENT

To exemplify the principles set forth in the "Alternative Plan" discussed above (see pages 47 to 58, inclusive)¹

I. Overhead Organization to Provide for Intelligent and Effective Executive Direction and Control over Matters of Finance, Administration, and Personnel

The President

Secretary to the President—general, political, and legislative assistant
Assistant Secretary (Secretary of the National Defense Council)
Assistant Secretary (Secretary of the National Welfare Council)
Assistant Secretary (Secretary of the Administration Council)
 Executive Office Secretary—in charge of the clerical force and office routine

(The Cabinet)

(The Administration Council) — The President's Assistant—
 Secretary of the Administration Council; Secretary of the Treasury; Secretary of Administration; with such others as are designated by the President

(The National Defense Council—see below)

(The National Welfare Council—see below)

The White House

Executive Offices
 The Mansion
 Executive Transportation Service

¹ Light-face Roman type—used to indicate offices or services that would not be changed.

Black-face Roman type—used to indicate suggested new offices.

Light-face Italics—used to indicate offices or services that would be transferred to the department and made responsible to the Cabinet officer at the Head.

LIGHT-FACE SMALL CAPS—used to indicate offices or services which it is suggested should report to and be represented in the Cabinet by the head of the department indicated, but which would not be subject to his direction and control.

2. Department of the Treasury

The Secretary of the Treasury

The Assistant Secretary

The Second Assistant Secretary

The Third Assistant Secretary

The Fourth Assistant Secretary

Executive Offices

(Treasury Department Council)

Liaison Officers

(Bureau of the Budget—Pending)

Commissioner of the Public Debt

Division of Loans and Currency

Register of the Treasury

Division of Public Debt

Commissioner of Accounts and Deposits

Division of Bookkeeping and Warrants

Division of Public Moneys

Division of Deposits

Treasurer of the United States

Bureau of the Mint

War Loan Organization

Savings Division

United States Section, Inter-American High Commission

Bureau of Internal Revenue

Solicitor of Internal Revenue

Division of Customs

Customs Service

Bureau of Engraving and Printing

Section of Surety Bonds

Solicitor of the Treasury

2. Department of Federal Administration

Secretary of Administration

Executive Offices

(Administration Department Council)

Assistant Secretary for Personnel

CIVIL SERVICE COMMISSION

Salaries and Grades Standardization Commission

Assistant Secretary for Economy and Efficiency

United States Bureau of Efficiency

Department of Economy and Efficiency Committees

Assistant Secretary for Supplies

Bureaus of Supplies

General Supply Committee

Department Supply Committees

Assistant Secretary for Accounts and Audits

General Accounting Offices (pending)

Solicitor of Department of Administration

II. Statutory Departments and Offices for Exercising the Constitutional, Military and Foreign Powers of Executive

National Defense Council (War Cabinet)

(The President, Secretaries of War, Navy, State, Treasury, and Administration—with such others as may be called by the President)

War Credits Board (War Council)

National Advisory Committee for Aeronautics

Liaison Officers

3. Department of State

The Secretary of State

The Under Secretary

The Assistant Secretary

The Second Assistant Secretary

The Third Assistant Secretary

Executive Offices

(The State Department Council)

Diplomatic Service

Consular Service

Division of Western European Affairs

Division of Near Eastern Affairs

Division of Far Eastern Affairs

Division of Russian Affairs

Division of Latin-American Affairs

Division of Mexican Affairs

Diplomatic Bureau

Consular Bureau

Foreign Trade Advisor's Office

Division of Foreign Intelligence

Bureau of Political Information

Division of Passport Control

War Trade Board Section

Visé Office

Bureau of Insular and Territorial Administration

Solicitor

PAN-AMERICAN UNION

INTERNATIONAL COMMISSION

4. Department of War

The Secretary of War

The Assistant Secretary

Executive Offices

The General Staff (of the Army)

War Boards and Commission

Office of the Adjutant General

Office of the Inspector General

Office of the Judge Advocate General

Office of the Quartermaster General
Office of the Chief of Finance
Office of the Surgeon-General
Office of the Chief of Ordnance
Office of the Chief of Chemical Warfare Service
Militia Bureau
Office of the Chief Signal Officer
Office of the Chief of the Air Service
Office of the Chief of Infantry
Office of the Chief of Cavalry
Office of the Chief of Field Artillery
Office of the Chief of Coast Artillery
Office of the Chief of Engineers
United States Soldiers' Home
(The Mobile Army)
(Military Establishments, stations and reservations)

5. Department of Navy

The Secretary of the Navy
The Assistant Secretary
The General Staff (of the Navy)
Navy Boards
Executive Offices
Office of Naval Operations
Bureau of Navigation
Bureau of Yards and Docks
Bureau of Ordnance
Bureau of Construction and Repair
Bureau of Engineering
Bureau of Supplies and Accounts
Bureau of Medicine and Surgery
Navy Allotment Office
Judge Advocate General
Solicitor
(The Fleet)
(Yards and Stations)

III. Statutory Departments and Offices for Promotion of the National Welfare

National Welfare Council (Peace Cabinet)

(The President, Attorney-General, Secretaries of Social Welfare,
Labor, Agriculture, Commerce, Public Works, Post-
master, Treasury, and Administration)
Conversation Commission—(advisory body)
Liaison Officers

6. Department of Justice¹

The Attorney General
 The Solicitor General
 Executive Offices

(Justice Department Council)

Assistant to the Attorney General
 Anti-Trust Division
 Assistant Attorney General
 Division for the Defense of Suits
 Assistant Attorney General
 Public Lands Division
 Title Division

Assistant Attorney General

Steamboat Regulation Service (cooperating the Department of Commerce)

Division of Taxation, Prohibition, Insurance, Minor Regulations of Commerce, and Prisons

Assistant Attorney General

Divisions of Admiralty, Finance, Foreign Relations, Territorial and Insular Affairs

Assistant Attorney General

Customs Division

Assistant Attorney General

Criminal Division

Bureau of Investigation

Division of Secret Service

High Cost of Living Division

General Intelligence Division

Attorney in charge of Titles

Alien Property Custodian

7. Department of Social Welfare²

(Education, Health, and Social Welfare)

The Secretary of Social Welfare

Executive Offices

¹ It is to be noted that in some of the departmental outlines the assistant-heads are all shown immediately under the Cabinet officer, or head (see Army, Navy, etc.), and in some the assistant-heads are shown as distributed or assigned to separate groups of related functions or services. Where the latter arrangement is used, it is simply to make more clear the need for sub-executives who would serve as specialized aids to the Cabinet of four for purposes of management, each of which might have both "line" and "staff" equipment. (See Social Welfare, Commerce, etc.)

² This is set up in the form indicated to combine the features seemingly contemplated in the public statements of President Harding. In case two or three separate departments were created, the related interests should then be correlated through an interdepartmental council, and liaison.

(Social Welfare Department Council—to be composed of Secretary of Div., Assistant Secretaries of Education, Health, Welfare, and Social Insurance, and such others as may be called in by the Secretary of the Department)

Assistant Secretary for Public Education
(National Education Commission)
Bureau of Education
Office of Indian Affairs
Howard University
Columbia Institution for the Deaf
Vocational Training Section, Federal Board for Vocational Education
Vocational Rehabilitation Section (from the War Risk Bureau)
Smithsonian Institution
United States National Museum
International Exchange Service
Bureau of American Ethnology
Astrophysical Observatory
National Zoological Park
International Catalogue of Scientific Literature

Assistant Secretary for Public Health
(National Health Commission)
Public Health Service
Division of Public Health Records
United States Interdepartmental Social Hygiene Board
St. Elizabeth's Hospital
Freedman's Hospital

Assistant Secretary for Social Welfare Agencies
(Social Welfare Commission)
Superintendent of Prisons (from the Department of Justice)
Bureau of Parol
Children's Bureau
United States Soldiers' Home
National Home for Disabled Volunteer Soldiers

Assistant Secretary for Compensations and Social Ins.
(National Insurance and Pension Commission)
Bureau of Pensions
Bureau of War Risk Insurance
United States Employees' Compensation Commission

Solicitor

8. **Department of Labor**
The Secretary of Labor
(National Commission on Industrial Relations)
The Assistant Secretary
Executive Offices
(The Labor Department Council)
Bureau of Immigration

Bureau of Naturalization
 Bureau of Labor Statistics
 Women's Bureau
 Division of Conciliation
 United States Board of Mediation and Conciliation
 United States Labor Board (Railway Administration)
 United States Employment Service
 Bureau of Industrial Housing and Transportation
 Solicitor

9. Department of Agriculture

The Secretary of Agriculture
 (National Agricultural Commission and Inter-State Conference)
 The Assistant Secretary
 Executive Offices
 (The Agriculture Department Council)
 Office of Farm Management
 Bureau of Animal Industry
 Bureau of Plant Industry
 Bureau of Chemistry
 Bureau of Soils
 Bureau of Entomology
 Bureau of Biological Survey
 Division of Publications
 Bureau of Crop Estimates
 States Relations Service
 Bureau of Markets
 Insecticide and Fungicide Board
 Federal Horticultural Board
 Solicitor

10. Department of Commerce

The Secretary of Commerce
 (National Commerce Commission)
 (National Commission on Mining and Manufactures)
 (National Transportation Commission)
 (National Banking and Foreign Exchange Com.)
 (Commerce Department Council)
 Assistant Secretary in Charge of Scientific Services
 Bureau of the Census
 Patent Office
 UNITED STATES TARIFF COMMISSION
 Bureau of Foreign and Domestic Commerce
 Bureau of Standards
 National Screw Thread Commission
 Bureau of Fisheries
 Coast and Geodetic Survey
 Lakes Survey Office

Hydrographic Office

Naval Observatory

Weather Bureau

Assistant Secretary for Operative Services

Bureau of Navigation

Inland and Coastwise Waterways Service

INTERSTATE COMMERCE COMMISSION

UNITED STATES SHIPPING BOARD (?)

UNITED STATES RAILROAD ADMINISTRATION (?)

PANAMA RAILROAD CORPORATION (?)

PANAMA CANAL COMMISSION (?)

Bureau of Lighthouses

Coast Guard

Assistant Secretary for Loans and Commercial Credits

WAR FINANCE CORPORATION

FEDERAL RESERVE BOARD

FEDERAL FARM LOAN BUREAU (FROM THE TREASURY)

II. Department of Public Works¹

The Secretary of Public Works

(National Engineering Commission)

(National Works Commission)

Federal Power Commission

War Material Relief Commission

Mississippi River Commission

California Debris Commission

(National Architectural Commission)

(National Park Commission)

The Assistant Secretary

(Public Works Department Council)

Assistant Secretary for Engineering Surveys and Estimates

Geological Survey

Bureau of Civil Engineering—Departmental Service

Board of Engineers, New York City

United States Engineering Offices

Assistant Secretary for Works Construction

Reclamation Service (Construction)

Bureau of Public Roads

Board of Road Commissioners for Alaska

¹ A suggested organization is here outlined on the assumption that a department of public works would be the servant of the other departments in that it would maintain a common engineering staff for purposes of making preliminary and final surveys, preparing plans and specifications for contracts, supervising construction, and operating transportation and other public works or public buildings when desired, but that the necessity for such public works or buildings would be determined by the department in charge of the function or public service to which this would serve as an aid. (See comments in text p. 40-43.)

Bureau of Rivers and Harbors
Board of Engineers for Rivers and Harbors
Alaska Engineering Commission
Assistant Secretary for Works Operation
Reclamation Service (operative)
Supervisor of New York Harbor
PANAMA CANAL
PANAMA R. R. CORPORATION
U. S. EMERGENCY FLEET CORPORATION
Assistant Secretary for Public Buildings
Bureau of Public Buildings
Supervising architect's office
Commission on Fine Arts
Office of Public Buildings and Grounds, and
Washington Monument
Division of Capitol Buildings and Grounds
Superintendent of State, War and Navy Buildings
Assistant Secretary for Public Lands and Forest Protection
General Land Office
Forest Service
Solicitor

12. Post Office Department
 Postmaster General
 Executive Offices
(Post Office Department Council)
 The First Assistant Postmaster General
Postmasters' Appointments Division
Post Office Service Division
Dead Letter Division
 The Second Assistant Postmaster General
Railway Mail Service Division
Railway Adjustments Division
Foreign Mails Division
Aerial Mails Division
 The Third Assistant Postmaster General
Money Order Division
Postal Savings Division
Registered Mails Division
Stamp Division
Finance Division
Classification Division
 The Fourth Assistant Postmaster General
Rural Mails Division
Equipment and Supplies Division
 The Chief Inspector
 The Purchasing Agent
 Solicitor

IV. Establishments Under Congressional Direction

(For Serving and Advising the Legislative Branch)

Library of Congress

United States Botanic Garden (?)

Government Printing Office

Grant Memorial Commission

Arlington Memorial Amphitheater Commission

Lincoln Memorial Commission

National Forest Reservation Commission

Commission on Memorial to Women of the Civil War

Meade Memorial Commission

Public Buildings Commission

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FINANCIAL RETRENCHMENT AND GOVERNMENTAL REORGANIZATION¹

WILLIAM HOWARD TAFT

Chief Justice, U. S. Supreme Court, former President
of the United States

Mr. Brown's paper² is very helpful in giving us the exact statistics of the cost of wars and in tracing the very heavy financial burdens we now labor under because of this last war. It is a most admirable argument against war. But that is not exactly the object of this discussion. The paper, while most useful, should not lead us to minimize the necessity for budget reform and reorganization. It presents these enormous figures which have come from the war and then leaves us with the natural question, "Well, if we have got so much to pay, what is the use of fussing over the little which we may be able to accomplish in the way of reform and economy, by reason of a Budget?"

It is a little like the story of the old negro in the slavery days, who was moved by religion. He asked his master how many he thought would be saved: Would half be saved? "Oh, no," the master said, "you know these people around here. Half won't be saved." Then he asked whether one-quarter would be saved. "No." So he suggested an eighth and a sixteenth and still the master was obdurate. Finally he got down to one-thirty-second. The master said that he had been looking around and could find nobody in that neighborhood except his own family who ought to be or would be saved. With this the old darkey looked at him and said, "Massa, if there isn't one-thirty-second saved, there is no use putterin' about it."

Now, I deprecate that attitude. The truth is that if we had had a budget system years ago, when we ought to have had it, we would not have spent near so much as we have spent in this war, even though we had to have a war. It is an effective method of following and limiting expenditure, whether large or small, that a budget system seeks to secure.

Then there is my friend, Mr. Cleveland, with his interesting

¹ This is the revised stenographic report of Mr. Taft's address in opening the discussion of the papers and addresses of Messrs. McBain (see p. 1), Brown (p. 6), Pratt (p. 17) and Cleveland (p. 31). For Mr. Cleveland's reply to Mr. Taft see p. 75.

² See p. 6.

paper.¹ I value Mr. Cleveland. He was our anchor in our effort eight or ten years ago to introduce a budget system, but Mr. Cleveland to be practical and useful, must be kept off constitutional general government theories. This is not because he may not be right, not because the parliamentary system, by which he seeks to unite the executive and the legislative powers in one head, might have been better; but it is enough to say that we must deal with the government we have. It is too large a contract to make that over in a congressional session.

We are trying to improve a system here for economy and reform and effectiveness that is to work with an independent legislative power and an independent executive power. I agree with him fully that we ought to have the heads of departments, as well as the President, on the floor of both Houses of Congress. The President can go there now. Mr. Wilson introduced that which had been stopped by Thomas Jefferson, the method of going personally to Congress; but of course he could hardly go there and engage in the debates, but heads of departments might well do so. They might usefully go there and defend the plans that are developed by the executive under the budget system, or without regard to the budget system. That has been proposed. It was proposed in 1862, was proposed again as late as 1881, was supported by the leading statesmen of those days, and it was recommended in my administration in Presidential messages. Congress has never taken it up, but I think it would greatly help, and in that respect I stand by what Mr. Cleveland advocates.

However, when we attempt to induce Congress to get rid of its committees, and when we propose to invest the whole initiative—for that is what his proposition comes to—as to legislation in the executive leadership, then no matter what the merits of his discussion, he is up against something that will keep him there forever.

Now, with respect to Mr. Pratt's paper, I think it was admirably framed and that the suggestions as to reforming of the departments were very conservatively delineated. Mr. Pratt and I differ in one respect about that budget bill. He wishes to put the new bureau, that is to operate for the preparation of the budget, for the trimming of the estimates of the departments, for the restraint of the enthusiasm of the chiefs of bureaus and others, under the direction of the Secretary of the Treasury. I don't agree with him in that regard. I think the President should exercise this power and that the Bureau should be under his direction and report directly to him. I know something about what I venture to think he does not know about, and that is this: Even if he finds, as he says, all the heads of de-

¹ See p. 31.

² See p. 17.

partments and bureaus anxious to cooperate in retrenchment and reduction of duplications, he will find that the anxiety of each has tremendous impetus until it comes to cutting off something of his own. The inertia and the obstruction that a man can offer, in complete sincerity, to the abolition of a particular fund under his jurisdiction, no one can realize until he has had to meet it. In order to overcome that opposition you need the man in Washington who has the greatest authority. That is the President. In spite of the fact that Mr. Cleveland does not think the President has power enough, he has more power in Washington than anyone else, especially over executive subordinates, and it will all be needed to restrain the officials whose expenses are to be cut down.

In the first year or two of any administration the heads of departments are new to the business. I do not care how strong they may be, they are new to the business. That is inseparable from our system. Necessarily they are dependent on the men who have been there permanently. Unfortunately, to find such permanent public servants you have to go, not to the assistant secretaries, but still farther down, not to the chiefs of bureaus, but you have to go down to the heads of divisions, the chief clerks. Those gentlemen have been there, defending the interests of the government and the interests of their particular offices and bureaus, some of them, for thirty and forty years. Most valuable public servants they are in their spirit, but, on the other hand, valuable as they are, they have acquired that clinging persistency that we usually ascribe to barnacles. I don't wish in the slightest degree to deprecate their patriotic and useful character, because when one goes to Washington and becomes intimate with the Washington community, he finds a lot of valuable, very hard-working, very poorly-paid public servants who have been content to render service to the government for life at an inadequate compensation, and have become so much interested that they are the government personified in a way. These men become so enamoured of the function they are performing, so enamoured of the importance of the particular office or bureau in which they are, that their reactionary tendencies against any change is something that it is very hard to overcome. The influence they can exercise over the newcomers, the chiefs of bureaus and heads of departments, make this work of radical reform within the executive departments a difficult matter.

When it comes to cutting down the appropriations, it must be done with an axe. I mean the sharp edge of the axe. I can only tell you of my own experience. I went in one year and just took an axe and cut out fifty millions of dollars of the appropriations estimated by the bureaus. I had not any authority given by Congress.

I did it by main strength; I ordered heads of departments to make reductions. Congress did not like the intervention of the executive, and therefore Congress had provided a system by which the heads of departments merely furnished such estimates as they approved to the Secretary of the Treasury. He was then, and is now, nothing but a conduit from departments to Congress in the matter of estimates. Of course, every chief of bureau who thought his own function was important, each year asked for what he thought he ought to have. Congress, acting on the theory that he had asked more than he needed and ought to have, cut everything down on general principles. This only led him to estimate for more than he needed, so that when Congress came to cut it down, it would be somewhere near what he really thought he needed. It was thus just a circle.

I went at it with the enthusiasm of ignorance and with as much determination as I could command, and cut the estimates fifty millions as well as I could; but I had to meet the humiliation of having made cuts where they ought not to have been made, just because I did not have the information. So it increased the deficiency appropriations that had to be made.

The President, who is the man that is responsible for the executive departments, ought to have the independent means of finding out through a body of experts whether or not a department is asking more than it ought to have. When you put that power in the hands of the Secretary of the Treasury, you are putting it in the hands of one of the ten men who are under examination. Good and great a man as he ought to be, he is nevertheless going to find it most difficult to deal with the other heads of departments. They will say, "Well, you are cutting down my appropriations. But how about your own Treasury Department? That is the most wasteful and expensive in the lot." Thus the matter will come back to the President. Why should he not have the independent means for judgment in advance? I hope that the Congress will reach a conclusion that shall give the President the right to use the Budget Bureau as his instrument in the first instance.

When we went to work in 1910 Mr. Cleveland reported that there were seven departments providing facility for transportation, four departments and three commissions dealing with the relations of commerce, and so on for numerous duplications. Then there are a lot of independent bureaus, commissions and offices. Now, most of them ought to be put under departments. There is no reason why they should not have somebody over them that shall be responsible for them, though perhaps the Interstate Commerce Commission as a quasi-judicial body ought to be independent in so far as rate fixing is concerned.

I agree with Mr. Cleveland that the executive ought to have more power in the matter of discretionary organization of the subordinate agencies in the departments. He ought to be able, as the committee has recommended, to look into a department and say whether it is wise to unite two of those subordinate agencies in that department without going to Congress each time.

Then another thing that Mr. Cleveland's commission recommended, and that would greatly work both for economy and for civil service reform, is lump sum appropriations for the payment of clerks. In my time Congress never gave a lump sum appropriation to a department for clerks. It provided that there should be so many clerks of one class, so many clerks of another class, so many of another class, and would appropriate the money with the salaries for these classes, the clerks being classified by salaries.

The head of a bureau ought to have discretion to say how many clerks of one class, and how many clerks of another class he shall employ out of a lump sum. It is something that Congress can't have a detailed knowledge of, and it should not insist upon using its discretion regarding it.

Let's not aim too high. Congress has been opposed to a budget system in the past. It put a clause in an appropriation act forbidding me as President to submit a budget in a form approved by Mr. Cleveland and the Efficiency and Economy Commission, on the ground that it would take up too much time of the clerks to prepare it. I told them I did not regard that as a Constitutional restriction upon my executive power. I went ahead and directed the Commission to prepare that budget, which was prepared and was sent in to be acted on, and it has been resting in the halls of Congress gathering dust ever since. It was a thoroughly prepared budget for the purpose of illustrating to Congress what ought to be submitted each year. Congress took away for the next year the appropriation for the Economy and Efficiency Commission, so that we had to give it up. I am delighted to see now that after we have gotten up to a debt of twenty-four billions, and gone from one billion to five billions of annual expenditure, that Congress has changed its mind and we are going to have a budget.

I want to give one or two instances showing the need of reform in our method of exhibiting our governmental needs and expenditures. When the Economy and Efficiency Commission began it could not find out from any book or report what kind of government we had. They had to spend from six to nine months in getting up a statement of who were the officers of the government and what their functions were, and what the bureaus and all the other agencies in the government were, and how much they were paid. It took a very

extended report to show that, and Congress never printed it. I should think that such a report would be necessary when the new Budget Bureau comes in. They should find out what this government is. Of course it has been enormously expanded through the exigencies of the war, but our report might be made the basis.

Take the matter of traveling expenses as an instance of waste. It cost the government in my time twelve million dollars annually to pay the expenses of those who traveled for it, and there was no special arrangement with any of the railroads. Every man had a first-class passage, and every man got a Pullman ticket. There was nothing issued through which any control could be exercised over that. The Commission recommended that something should be done in that regard that the whole thing be managed by one agency. But do you suppose a private establishment would allow that sort of thing to go on blindly in that way? An agency to deal with all government transportation could secure Congressional authority to take it out of the Interstate Commerce Commission law, and could make arrangements with the railroads by which there should be a reduction in prices and rates due to the enormous patronage the government employes would give to the railroads.

Let me show by one illustration how important it is that there should be some executive head that knows what is being done in each department as compared with every other department in the matter of cost in the service. Now, Mr. Cleveland's Commission found the cost of receiving, opening, briefing, recording, indexing and distributing mail in each of eight departments was as follows: In the first one the cost was \$5.84 a thousand; second, \$5.96; third, \$11.83; fourth, \$13.17; fifth, \$16.12; sixth, \$44.28; seventh, \$49.95, and eighth, \$81.40, i. e. in the War Department. The outgoing mail showed a similar result. Now, suppose the President were to see that, with his Bureau at hand he would at once seek to find out the reason for such a wide difference for the cost of the same thing.

The Commission did inquire. They looked into the Adjutant-General's office in the War Department that had control of the pension records, and found that this \$81.40 was due to the fact that the head of that Bureau was in close touch with Congress. The members were anxious to introduce pension bills, and find out promptly what the record was of each constituent that might apply; so the Adjutant-General introduced a system so effective that he could reply by the next morning's mail, after he had received the name of the person whose record was in question, to the Congressman. With this result, he did not have to appear before a committee to ask for appropriations to make that possible. They were given only on his suggestion. The whole government was paying to enable Congress-

men to know at once the basis upon which they might introduce private pension bills. Of course, it is important that that record should be gotten at promptly, but not that we should pay twelve or fourteen times as much as we do for the same service performed with respect to the other fields of activity that the government has.

Under a proper budget system and with a proper bureau the President may keep tab on every department, and by comparison judge which needs jacking up and call the attention of the head of that department to a lack of efficiency or economy that may exist, and say, "Won't you look into this and see if it can't be improved?" It is comparison and emulation that helps.

I agree that by a Budget we may not save as much money as will be wasted in the trial of new explosives, or in making effective naval armament and that sort of thing. But the truth to tell, I am not so much troubled about these Navy and Army expenses. I think that the power of public opinion that Mr. Cleveland speaks of is going to operate to reduce them.

In spite of my suggestions as to the somewhat ideal character of some of Mr. Cleveland's propositions, I second most earnestly his proposal that the cabinet officers should be permitted to go on the floor. What is going to be the effect of it? It is going to inform Congress, and Congress needs information. You can't be in Washington at all and have any experience, and not realize that Congress, by the presence of a cabinet officer on the floor, can be advised by answer to a single question as to something which otherwise will involve delay, confusion and useless discussion without light.

The proper initiation of these plans for retrenchment and economy requires that the cabinet officer who is responsible for the department and the estimate put in, should be there to defend his estimates. To do so before a committee is by no means so effective or persuasive. If such a privilege is given to a delegate from Alaska, why should not a cabinet officer be given the same right to answer questions and make speeches and have the privileges of the floor? Then it will bring the two branches of the government together into more harmonious cooperation and still conform to the Constitution, which makes them independent the one of the other.

NATIONAL EXPENDITURES AND PUBLIC ECONOMY¹

ELIHU ROOT

Late U. S. Senator from New York

THIS is the second session of a meeting of the Academy of Political Science in the City of New York, to discuss the question of "National Expenditures and Public Economy". It is not that the members of the Academy consider they are entitled to say what shall be public expenditures and how public economy shall be attained; but it is that the vastly increasing complication of government makes it difficult and more difficult year by year for public opinion to regulate itself with knowledge and with judgment.

All over the land, under various names and in many places, Americans are gathering together now, trying to educate themselves for the performance of the great duty of forming the public opinion of America, the public opinion of this great self-governing democracy, the public opinion which is at once the guide and the support of just government. And it is only by taking counsel, only by seeking information, only by deliberate and considerate discussion, that wise, disciplined, just public opinion, competent for the self-government of this great people can be attained.

Mr. President, we have been talking here this morning, and will talk this afternoon, about public expenditures and national economy. We know how difficult a task rests upon you and your advisors, upon the Congress and its leaders. We know that after the era of profligate expenditure which naturally accompanied the great war, economy cannot be attained without the use of the knife. We know that you cannot do what you have declared it was your purpose to do without making many enemies, without dismissing many people

¹ Introductory address at the second session—a luncheon meeting of the Academy Conference in New York City, May 23, 1921, at the conclusion of which Senator Root proposed a toast to President and Mrs. Harding and presented the audience to the President of the United States.

from the public service, without reducing the flow of public moneys into private hands; but we want to say to you that for one enemy you make, by bringing our country back to its old basis of simple economy and fidelity to public trust, you will make a thousand friends. Among them will be all of this thousand of friends who greet you here today; for you are among friends: you are facing men who both admire and respect and trust you, who look to you for the preservation of that liberty and justice which will be essential to the happiness and the opportunities of their children and their children's children; and they stand ready to hold up your hands, to support you and to go with you in all efforts for the improvement, the elevation and the progress of the government of our beloved country.

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BUSINESS IN GOVERNMENT AND THE PROBLEM OF GOVERNMENTAL REORGANIZATION FOR GREATER EFFICIENCY

WARREN G. HARDING
President of the United States

I CAN not tell you how gratifying it is to greet a gathering of such men as I see here, brought together for the purpose that animates you. I recognize among you many men peculiarly equipped to deal with the great questions of government organization, reorganization, and retrenchment; and as I look into your faces I feel that your special qualifications constitute the assurance that you will understand and sympathize with one who in an immediate relation finds himself grappling with these problems. You have studied and dealt with the affairs of great organizations; you know the power of entrenched tradition and long-established custom; you do not need to be told that general, inclusive plans are necessary as a preliminary to accomplishment in such matters.

Everywhere we turn we note that government has in recent time assumed a more complex relationship to the public than it ever sustained before. The mobilization of man power, industrial forces, and financial resources, which was made necessary in the war's exigencies, could only have been accomplished through the exertion of the utmost powers of government. Those powers were exerted to the extreme limit, and stupendously important results were attained. As a result of that demonstration of government's capacity to force great results in emergencies, there has grown up a school of thought which assumes that even in time of peace the same autocratic authority might well be exercised in the general interest. Many men thoughtlessly urge that "governments took over the control, even the conduct, of many industries and facilities during the war; there followed a great increase in wages, a vast expansion of business activity; therefore why not assume that continuance of such control and management in time of peace would enable continuance of the same liberality in compensation and profits, the same intense business activity?"

Those who look below the surface know that the things which governments accomplished during the war were accomplished at a staggering cost—a cost which society could not bear for long, a cost that has left society burdened with debts which mortgage generations of the future. They know that the feverish seeming of prosperity was not genuine, but was possible only because society was literally burning up its stocks of capital, and that this destruction of capital was responsible for the reaction and depression which are now felt universally. In this process the burdens of government were immensely increased, and it is for us now to find means of lightening those burdens.

Government, to a greater extent now than ever before, is under obligation to give the greatest service for the lowest possible cost. But it is for certain obvious reasons difficult to do this, because government is not under the necessity to earn profits nor to obey laws which regulate competition. These are the prime guaranties of efficiency and fair dealing in private business. They do not apply to government, and therefore government should be placed, so far as possible, under a strict sway of the methods which are applied in private business to secure these ends. Government should be broad, conscientious, and intelligent enough to subject itself to these rules despite that its quality of sovereignty would place it beyond them if it chose to assume that position. Every principle and device which promotes efficiency in private business should be adopted and applied in government affairs. I will trust the public official who decides his public problem as though it were his very own.

To bring economy and efficiency into government is a task second to none in difficulty. Few people, in or out of the government, have any conception of the growth of government business in the last decades before the World War; still fewer at all realize the pace to which that growth has been speeded up since the war started. The multiplication of departments, bureaus, divisions, functions has resulted in a sort of geometrical increase in the tasks which confront the heads of executive departments when they face reconstruction problems. They find that with their time already mortgaged in favor of tasks which demand more hours than the day provides they must devise means for doing yet more work with less money.

Fortunately the prospect is not so hopeless as might appear, because the present organization is so bad that the insistent application of a few established principles of sound business organization will result in immediate economies and provide a margin of available means to meet new demands. The party in power is pledged to economy and efficiency, and you may be assured that every energy is being directed to redeem that pledge to the last degree and with all promptness.

At the beginning of his administration President Taft secured from Congress the establishment of an Economy and Efficiency Commission. It made a comprehensive survey of activities, organization, and personnel of the whole government establishment. The report on that survey was never printed; but it is available, and can be consulted to determine where wastages and overlappings of function are. That commission further presented particular suggestions as to how specific economies could be effected, efficiency established, and much money saved.

The problem has been vastly complicated and increased as result of the war. The present Congress has already provided for a Joint Committee on the Reorganization of the Administrative Branch of the Government. A representative of the Executive will serve with this committee, so that there is now in progress a thorough study of the whole problem. The task will require some time, and ultimate results must await it. More, it will demand a resolute courage to effect the abolition of the useless and the coordination of the useful.

But meanwhile we shall, I trust, have a budget system in operation under the law before the opening of the new fiscal year. This is a long step toward introducing into government the sound methods that great private business establishments have adopted. I need not emphasize to you, gentlemen, the anomalous situation of the government heretofore in having a great number of spending committees apportioning moneys to various purposes without any study of the relationship between these various purposes, and regardless of the relationship of these aggregated spendings to the revenue in sight. No business, no humblest household, could be thus conducted without leading into disaster.

Establishment of a budget system is the foundation on which
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reorganization must be based. It is hardly conceivable, indeed, that a proper budget system could be established and carried on for any considerable time without forcing attention to the evils and effecting the reform of many deficiencies in the present system. But the budget program will not do everything. It must not be accounted a fiscal and efficiency panacea, for it will not be. There must still be much and continuing effort to keep expenses down, to insure full value for every dollar of the taxpayer's money the government spends.

At this point, let me say, too much stress can not be laid on the fact that eternal vigilance is the price of economy and efficiency. Nothing is easier in a government establishment than to continue in existence offices, positions, employments, once they are created. It requires persistent, determined, stony-hearted devotion to the public interest to abolish them. There must be utter sacrifice of all sympathy for the place holder whose real reason for keeping his position is that he wants the salary. There must be constant examinations to determine how, in the processes of evolving functions and methods, forces may be reduced and duplications of work eliminated. Inertia, which is easily the greatest force in governmental organizations, must be combated at every point. The fact that a thing has existed for a decade or a century—that things have been done in a certain way for a generation—must not be accepted as proving that it ought to continue that way. The men who conscientiously and intelligently do this work must not expect to popularize themselves with the officeholders or with the liberal spenders. Even the administration which devotes itself relentlessly to such work must understand that it will lose a good deal of immediate loyalty on the part of a certain class of politicians, which will not be compensated to it at once in the appreciation of the public, for the public will not have the deep, immediate interest or the active concern which will animate the person who finds himself being pried loose from the purse strings.

Nevertheless, thankless and ungracious as the task will be for most of those who devote their efforts to it, it must, and will be attacked, it is being attacked, with all determination. Something can be done, even pending the effective inauguration of the budget and the survey by the joint committee, toward

bettering conditions. In all the departments, I may say to you, this sort of work is already progressing under executive orders within the power of the Executive. We shall need the full support of enlightened public opinion, and, realizing this, I am glad that such bodies as the Academy of Political Science, the United States Chamber of Commerce, the engineering societies, and business organizations generally are studying and discussing these questions. Out of such counsels will come truer appreciation of the difficulties and magnitude of government business, a larger sense of public responsibility, and a highly desirable cooperation between public and private business for the common good.

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REFORMS IN THE FEDERAL GOVERNMENT¹

REED SMOOT

United States Senator from Utah

EVERY citizen, certainly every student of government, is familiar with the defects in the organization and procedure of the federal government. Most of these defects are of long standing, but it has required the prosecution of a great war, and the attendant expansion of governmental activity and authority, to focus the public gaze upon the ways and means of government administration and upon the deficiencies of our existing governmental machinery. Today, everyone connected with the government service is keenly alive to the necessity for reform in its organization and methods. No more important questions are now pending in Congress than those relative to the standardization of salaries of federal employees, to the budget plan, and to a reorganization of the executive departments. These matters are all related. All bear directly upon the question of improving the public service and decreasing the cost of government.

I should be ungracious if I did not acknowledge that Congress is responsive to the public interest that has been aroused in questions of this kind and I am glad to express my approval of their public consideration. It is impossible to overestimate the value of public discussion of these questions. My hope is to contribute in some small measure information that may stimulate public interest and crystallize public opinion concerning the movement to put our government upon a modern businesslike basis.

The government of the United States is probably the only great business establishment in the world that conducts its affairs without any correlated financial program or any consistent fiscal policy. Responsibility for the government's financial program is scattered. Not only is it shared by the legis-

¹ A paper originally prepared and delivered as an address before the National Budget Committee in New York, revised and presented as a paper read by title at the Academy Meeting in New York City, May 23, 1921.

lative and executive branches as a whole, but in each branch it is so divided and subdivided as to be virtually non-existent.

On the executive side of the government, each department, bureau, office, board and commission prepares its estimates of appropriations independently. Neither the president nor the cabinet exercises any real control over these estimates. They are assembled in the Treasury Department, but the work done there is purely mechanical and mathematical. The Treasury has no authority to revise or coordinate the estimates prepared by bureau chiefs or department heads. The estimates transmitted to Congress are haphazard, and disjointed. They do not represent the best judgment even of the estimators who prepare them, but are purposely exaggerated in the expectation that they will be reduced by Congress.

A certain administrative officer said to me once, after the passage of the appropriation act carrying the item for his bureau, "Well, Senator, you treated us all right."

"What do you mean," I said to him. "We cut off about one-third of the amount you asked for."

"Yes, I know that," the officer replied, "but when we prepared our estimates we purposely added 40 per cent to the amount we actually needed, because we expected the committee would cut us down about in that proportion. So as a matter of fact we got all we expected, and certainly all we wanted."

This is the usual state of mind of department heads and bureau chiefs with regard to their estimates.

But this lack of responsibility—or this division of responsibility—is not peculiar to the executive branch of the government. When the departmental estimates reach Congress they are parceled out in each House to a number of appropriating committees. There are seven such committees in the Senate and there were ten in the House of Representatives before the consolidation of the appropriating committees of the House. Here, again, the procedure is loose, and disjointed. The various financial requirements of the government are not considered in their relation to one another. The bills making appropriations are nowhere brought together and considered as a unit. In each House, moreover, revenue bills are assigned to still other committees, so that no facilities are provided in

Congress for the intelligent correlation of the financial needs of the government with ways and means of raising revenue.

Under these conditions who is responsible for the financial program of the government? Not the heads of departments or bureaus, for they are merely performing ministerial duties that are imposed upon them by Congress. Not the President, surely, for the law does not require him to revise the departmental estimates. Not the individual committees of Congress, for each committee does only a relatively small part in determining the government's financial program. Not either House of Congress alone, because each body constitutionally shares its responsibilities with the other. And if we conclude that Congress as a whole must assume the responsibility for the financial program of the government, we must make the reservation that at the present time Congress has no machinery with which to discharge that responsibility effectively.

The government is notorious for the lack of uniformity in its systems of accounting. The administrative officers in each department and establishment have their own ideas and tastes with respect to methods of accounting and bookkeeping, and so we find today in the executive branch of the government practically as many different systems of accounting for appropriations and funds as there are separate executive establishments. There is no central agency that has the power either to standardize methods of accounting or to collect and correlate information to show the cost of government business. There is no agency which can give to Congress or to the public the facts concerning the business of the government that correspond to those given periodically to the stockholders of any private corporation by its management: the value of its resources, the amount and character of its obligations, its earnings, and its expenses. It is therefore not surprising that Congress is not always able to make appropriations with the wisdom the public has a right to expect in its most important legislative body. Lacking definite, classified, continuous information with regard to the organization and activities of the executive services, Congress has been compelled to resort to committee hearings in order to carry out its constitutional function of determining the financial needs of the government and the manner in which they shall be supplied. Necessarily,

owing to the size of its problem, Congress has had to divide itself into numerous sub-committees, each of which undertakes to gather, almost at first hand, the information required for even a hasty consideration of its part of the many-sided problem of financing the government.

No one realizes the weakness of this system more keenly than I. Appropriation bills are framed one by one by different committees, which are frequently without the technical knowledge and administrative experience necessary to protect the public from the extravagant estimates of administrative officers and to insure adequate provision for the essential work of the government. Furthermore, these committees have different standards by which to measure the requirements of the branches of the service whose needs they are considering. Certain committees achieve reputations for generosity; other committees lean backwards and achieve reputations for parsimony. One of the reasons lately urged for the transfer of the Coast Guard from the Treasury Department to the Navy Department is, in effect, that that service would get more liberal appropriations from the Committee on Naval Affairs than from the Committee in charge of the supply bills relating to the Treasury Department.

Too often the personality and individual effectiveness of the bureau representative who appears before a committee is a large factor in influencing its action. Just as courts and juries are unconsciously responsive to the skill of an attorney in presenting his case, so Congressional committees are unconsciously influenced by the varying abilities of departmental representatives in presenting their arguments for financial support.

The annual appropriation bills are usually prepared and passed during the three months from December to March. Of this time, only a few weeks can be devoted to committee hearings. The committees are therefore forced to work under high pressure and with extreme speed. A subcommittee of five members may be able to devote but a few hours to the consideration of the requirements of a bureau that spends millions of dollars a year for many widely diverse objects. Under such conditions as these it is not surprising that an appropriation bill is sometimes inadequately considered, however conscient-

tious and intelligent and industrious may be the members of the committee considering it.

Congress has been generous in authorizing the use of devices for improving business methods in the executive departments and independent establishments. It listens with uniform consideration to suggestions that come from the executive side of the government designed to improve the efficiency of that branch. But it has been strangely reluctant to add to its own working facilities. Congress has, of course, its clerks and administrative officers, but no means have been provided whereby Congress, or either House, or any committee or member of either House, may obtain independent and accurate information concerning the necessity or the effectiveness of the work of any government agency. The greatest legislative body in the world is therefore compelled to base its most important actions upon evidence presented by bureau representatives at committee hearings—*ex parte* evidence, prompted by natural human motives of self-preservation and self-protection.

You are all more or less familiar with the provisions of the budget bill. This act now definitely charges the President with the duty of submitting to Congress for its consideration a complete fiscal program. It gives to the President, in the Budget Bureau, the machinery he needs to revise intelligently and to coordinate the annual estimates of departments and bureaus. But what is more important, it fixes upon the President the exclusive, undivided responsibility for the financial proposals which are submitted to Congress.

To the General Accounting Office provided in the national budget act is given the duty of prescribing the accounting systems to be employed by all agencies of the government. If it has a proper conception of its task this office will undertake to introduce at once those much needed reforms in the accounting work of the government which would make available at all times current and standard information concerning the cost of all activities of the government, great and small.

In establishing this office, however, the budget bill attempts to do far more than merely to provide a means to improve the accounting procedures of the government, and to supply the want long felt by Congress and the public for detailed in-

formation about the government's finances. The budget act will set up the General Accounting Office as an agency of Congress; an agency with no responsibility whatever to the executive branch of the government; an agency that will keep Congress informed as to the details of departmental business; an agency that will give Congress, or any committee of Congress, information concerning the organization, personnel, and activities of every office in the executive branch of the service. I have spoken of the handicaps under which the committees of Congress are now compelled to work, of their necessary reliance upon the evidence submitted by bureau representatives at their brief hearings. And in providing a means whereby these committees can obtain complete and unbiased information relative to the activities of each government agency the budget act promises to remedy the greatest defect of our present system of appropriating.

It was on account of the obvious intention of Congress to have the General Accounting Office under its own control that the President vetoed the budget bill passed by the last Congress. Congress desired an independent auditing office responsible to Congress itself. It sought to convert the present nominal legislative control over governmental expenditures into a real legislative control—to place an effective restraint upon department heads and administrative officers generally. I am not prepared to say that the President's veto was badly advised. I am not prepared to say that the budget bill as it was adopted did not confer upon the proposed General Accounting Office administrative functions of the first importance, functions which should continue to be performed under the supervision of the executive branch of the government. The General Accounting Office was to assume all the duties now performed by the Comptroller and the six Auditors of the Treasury. These officers now audit the accounts of all disbursing and collecting agents attached to the various executive departments and independent establishments, in order to keep a check upon their fidelity. They pass upon the requisitions of disbursing agents for advances of funds from which to make payments to creditors of the government; and no advances of funds may be made without their approval. They have the custody of all original vouchers, pay rolls, and other evidences of the financial

transactions of the government. They superintend the recovery of debts due the United States. They render advance decisions, which are binding upon all officers of the government, in questions involving contemplated disbursements of public funds. They audit, in advance, thousands and thousands of payments made directly by the Treasury. Without their prior approval not one cent of the funds of the government may leave the Treasury, for any purpose whatsoever.

It was my own preference and the preference of a majority of the Senate, as expressed in the bill as it originally passed the Senate, that Congress make no effort to assume jurisdiction over the routine and administrative procedure involved in the audit and settlement of the public accounts as now conducted by the accounting officers of the Treasury. It was my preference that this procedure be left under the direction of the Executive, and that Congress should provide another agency for its own purposes—an agency without administrative functions, and with no connection of any sort with the routine procedure involved in the payment of public obligations. But however these matters are finally settled, Congress must eventually equip itself with some agency to keep it constantly informed regarding the activities of all branches of the public service. When this agency has been provided, when accounting systems have been standardized, and when responsibility has been fixed upon the President for the submission of a financial program, we shall then have a firm foundation for intelligent and constructive appropriation legislation by Congress. It will then be worth while to centralize the authority over such legislation and perhaps to concentrate in a single committee of each House the power to report money bills.

Congress is about to undertake a comprehensive survey of the machinery of government as it is now in operation, with a view to thoroughly overhauling it. A Joint Congressional Committee on Reorganization has been established, consisting of three members of the Senate and three members of the House of Representatives, and a representative of the President who is the chairman of the committee. It is the duty of this Committee, first, to make a survey of the administrative services of the government for the purpose of ascertaining fully their authority, powers, and duties, their distribution among the executive de-

partments, and the duplication of their work; and, second, to determine what redistribution of work and what rearrangement of services should be made to the end that each executive department shall embrace only services closely related to one another and to the major purposes of the departments to which they belong.

The Joint Committee on Reorganization fully realizes the magnitude of its work and the responsibility that rests upon Congress to correct existing defects. Practically all the anomalies and incongruities of organization and procedure in the federal establishment are the result of legislative enactment. The executive departments and independent establishments as they exist today are not the product of careful planning. They are the result of piecemeal legislation by successive congresses, each one of which has added new bureaus, created new offices, and assigned new duties, usually in response to the demands of particular interests, and rarely with due regard to the effect of its action upon the departmental structure as a whole. Everyone knows, in a general way, what is wrong with our governmental establishment. The greatest trouble is probably the lack of control of departmental expenditures and the absence of any real responsibility for the economical performance of the functions that are assigned to the executive services. There are also certain mechanical or structural defects, which must be corrected before effective and economical administration can be achieved. The principal of these structural defects are, first, the scattering of similar services, services performing the same or analogous work, among a number of departments; and, second, the inclusion in a single department of agencies performing work of different kinds, frequently work that has no real connection with the major objects or purposes which the department was established to accomplish.

Many examples of these particular faults in the organization of the Government could be cited. You are all familiar, of course, with the assertions frequently made that such and such a number of federal agencies are engaged in engineering operations, that so many are conducting educational activities, that so many are doing health work, and so on. These assertions are made by persons who take little or no account of the inevitable complexity of our governmental organization. But it is

nevertheless true that there is not in our executive departments a sufficient concentration and coordination of similar or analogous work. The Bureau of Education of the Department of the Interior, the States Relations Service of the Department of Agriculture, and two independent establishments, the Federal Board for Vocational Education and the Interdepartmental Social Hygiene Board, all apportion Federal funds to State schools and colleges to be used for education. Again, the Coast and Geodetic Survey of the Department of Commerce, the Lakes Survey Office of the War Department, and the Hydrographic Office of the Navy Department all conduct marine surveys, all make navigational charts and maps. Practically the only difference between the work of these organizations is that of the geographical areas covered. Engineering work on a large scale—I refer to civil engineering work of a general public character—is carried on extensively by four or five departments. The Bureau of Public Roads of the Department of Agriculture has supervision over the government's road-building program. The construction of public buildings is entrusted to the Office of the Supervising Architect, in the Treasury Department. One of the greatest engineering problems of the government is that of reclaiming arid lands by constructing and operating irrigation systems. This work is done by the Reclamation Service, of the Interior Department. The improvement of rivers and harbors and the preservation and regulation of our inland navigable waters is in charge of the Corps of Engineers of the Army. Engineering work in Alaska is entrusted to still other agencies. All these services deal with similar problems, and there seems to be no doubt that their maintenance and operation in different departments, under separate management, results in inferior supervision, in excessive cost, and in a lack of permanent and definite administrative policies for planning and carrying out the government's public works program. These are not merely isolated examples; they are characteristic of our present government organization. The form of our existing departments and the assignment of work among them is largely accidental; and it is therefore inevitable that they should encroach upon one another's fields and that many of them should perform similar work.

The second important structural fault of which I have spoken lies in the *composition* of certain of our executive departments. Everyone will agree that each governmental establishment should, so far as possible, be a homogeneous unit—that it should be composed wholly of services that have close working relations with one another and that unite to achieve a common purpose. Yet some of our executive departments include bureaus and offices whose work bears no relation to the work of other branches of the same departments or to the major purposes of the departments themselves. In the Treasury Department, for example, which was established to collect the revenues and to have custody of the public funds—in a word, to administer the fiscal affairs of the government—we find the Coast Guard, an agency whose duty is to protect navigation along our coasts; the Public Health Service, in these days largely given over to the maintenance of hospitals for the care of disabled veterans of our war with Germany; the Office of the Supervising Architect, maintained for the purpose of constructing and operating federal buildings; and the Bureau of War Risk Insurance, which pays compensation and provides insurance to soldiers and sailors. In the War Department, we find a large part of the engineering activities of the government, including the improvement of rivers and harbors, and the maintenance of public buildings and parks in the District of Columbia. We find there also the Inland and Coastwise Waterways Service, which operates public transportation facilities on certain inland canals and waterways; and we find there the agencies that have charge of our relations with the civil governments of our principal colonies, the Philippines and Porto Rico. In the Interior Department we find the services that are charged with the administration of the public domain in its various aspects. But we also find that the Interior Department takes care of our relations with the territories of Alaska and Hawaii and with Indian tribes; that it aids and encourages public education; that it issues patents and trade-marks; and that it has charge of the repair, and to some extent the operation, of the Capitol buildings and grounds. Finally, we find that the Interior Department supervises the administration of certain hospitals, schools, and other similar institutions.

Such conditions as these are unfortunate, but natural. They are the inevitable result of the growth of our governmental establishment. But it is certainly time that the government should pause and take stock—it is time that its administrative machinery should be overhauled and put in order, and that the mechanical and structural flaws in its organization should be eliminated. It is this task to which the Joint Committee on Reorganization is preparing to address itself, the task of making that improvement in the ways and means of public administration—in what might be termed the mechanics of government—without which there can be little improvement in the quality of the service performed and little reduction in its cost.

In making its survey the Committee will of course have the advantage of much work that has already been done. The information collected and the suggestions will be of great assistance. The work of the committees of the House and the Senate that have considered the establishment of a Federal Budget system, and that have formulated the budget program of which I have spoken, will be very valuable. The question of introducing reforms in the fiscal methods of the government is of course a part of the larger question of overhauling and reorganizing the executive machinery; and the Joint Committee on Reorganization will doubtless find it necessary to include in its plans for the regrouping of government agencies and the reassignment of their duties, specific recommendations designed to insure a proper coordination and control of their activities through the medium of the budget. The Committee will fix no definite limitation upon the scope of the work it is to do. It will consider the problem of governmental administration from every angle, and it will search out and seek to remove the causes of inefficiency and extravagance in the management of public affairs, whatever those causes may be.

As one instance of the well known faults of our government organization, I wish to refer to the loose purchasing methods that prevail—methods which permit the squandering of public funds for needless equipment. During the recent war, the military establishment owned 391,999 horses and mules. According to evidence brought out by the Committee of the House of Representatives appointed to investigate War Department expenditures, the War Department purchased for these 391,-

000 horses and mules, 1,600,000 horse brushes, 2,000,000 nose feed-bags, 1,150,000 horse covers, and 2,850,000 halters. It ordered, for use on these 391,000 horses and mules, 945,000 saddles, and over 1,000,000 sets of double harness. Go about in Washington today, and you will be struck by the number of automobile trucks and passenger automobiles which fly about the streets under government labels. Some of these automobiles and trucks you will find are just out of the factory. All this at a time when "economy and retrenchment" is the slogan—at a time when the War Department has in its warehouses thousands of machines for which it has no need, and when it has just completed the sale of thousands of other machines, at nominal prices, as surplus property. The United States government should have a purchasing branch. It should take away from the several departments, bureaus, boards, and commissions, their present unrestricted authority to make independent purchases. It should no longer depend upon an interdepartmental committee to award the contracts for the vast quantities of materials required by the various branches of the service. It should set up an active purchasing department, with adequate storage facilities, with a competent staff trained in the technical business of determining and supplying the material needs of all executive agencies. Only in this way can the government obtain that check upon purchasing methods which is necessary to eliminate waste and extravagance in the acquisition and use of equipment and supplies.

Before concluding I desire to refer to the claim made by certain critics of the government that vast sums of public money will be saved by the proposed reorganization of our executive departments and the establishment of better business methods in the Federal service. These critics were once content to say that hundreds of millions of dollars were wasted each year by the United States Government. They are now claiming that the mismanagement and faulty organization of our executive agencies cause financial losses that can be expressed only in terms of billions. Even a casual analysis of the current appropriations will show the fallaciousness of such claims as these.

The total ordinary appropriations for the expenses of the Government for the current fiscal year (1921) were approximately \$4,673,000,000

Of this amount, there was appropriated for pensions, compensation, and hospital treatment for ex-soldiers and sailors and their dependents—veterans of the Civil War, the Spanish American War, and our war with Germany	572,000,000
For interest on the public debt, and the necessary sinking fund contributions to provide for the retirement of the public debt	1,240,000,000
To supply the deficit occasioned by Federal operation of railways	1,025,000,000
For the postal service, which each year returns to the Treasury in revenues practically the entire amount appropriated	498,000,000

Thus, of the \$4,673,000,000 appropriated for all expenses of the government for the fiscal year 1921, the sum of \$3,335,000,000 was required to cover what might perhaps be called the fixed charges pertaining to the Federal establishment—expenditures which can in no way be curtailed by reforms in our budgetary procedure or by departmental reorganization	3,335,000,000
The sum of \$856,000,000 was allotted for the maintenance of our Army and Navy, while only \$482,000,000, or approximately 11½ per cent of the total amount appropriated, is for the ordinary expenses of the civil establishments of the Government, exclusive of the Postal Service. These two items aggregate \$1,338,000,000, or 28½ per cent of the total budget for the current fiscal year	1,338,000,000

It is this portion of the total expenditures of the government that will furnish the principal field for the operations of the new Budget Bureau. It is this item in the total bill of federal expenses that we hope to reduce by reorganizing the government departments and establishing them upon a strictly business basis. I do not wish to minimize or belittle the results that may be achieved by thoroughly overhauling the organization and the financial practices of the government but I do desire to present the simple facts with regard to the several elements in the present heavy burden upon the nation for the maintenance of the Federal establishment.

We have just fought a great war, and we are now paying the price. Our national budget is composed chiefly of items necessary to liquidate the cost of our recent mobilization and

maintenance of vast military forces. We have a public debt of unprecedented size. For many years we must pay interest on that debt, and must withdraw from our annual revenues the amounts necessary to provide for its gradual extinction. We have thousands of disabled soldiers, and for a long time the bills for their treatment in hospitals, their rehabilitation, their insurance, pensions, and compensation, will form necessary and proper charges against the public Treasury. Moreover, we must continue to make adequate provision for maintaining our Navy and our Army in order to preserve our national integrity and to insure international peace. These items—which I have spoken of as our national fixed charges—are costly. They will be heavy for many years, in spite of budgetary reforms—in spite of the most thorough reorganization of the federal departments.

It is the duty of Congress to give expression in the laws to the will of the people for the regulation and administration of public business. Its action can not be other than that demanded by the majority of the electorate. If there is a popular demand for universal military training, the country will have universal military training, whatever its cost. If the public manifests a desire to pay a bonus to all ex-service men—whether rich or poor, disabled or fit—the ex-service men will have their bonus, regardless of the increased burden upon the public Treasury. The public must educate itself, must discuss national problems, must decide intelligently with respect to questions of public policy, before the national government can practice every possible economy. Congress today hears a great cry for the institution of a national budget in order to reduce government expenditures; but that cry is no louder than the demand heard on all sides for the soldiers' bonus, which would increase government expenditures many times more than they could be reduced by the most effective budget system that could be designed. For many months we have heard agitated the question of reorganizing our executive departments in order to reduce the strain on the public Treasury; but this proposal has perhaps no greater measure of popular support than proposals for universal military training, for farmers' relief legislation, for unlimited appropriations for education, and many other similar proposals, which would add

billions to the federal expenditures. As citizens of this great country, we must analyze and study our common problems. We must give intelligent and impartial consideration to the very complicated questions involved in the administration of our government institutions. We must take politics seriously. We must be able to measure suggestions accurately, from whatever sources they come, for the entrance of the government upon new fields of activity for special action by the government in the interest of any particular group or class of people, for governmental expansion—all suggestions, in a word, that involve additions to the already heavy financial burden of the federal establishment. There is no royal road to economy in public administration. Ours is a government of the people. And if the people demand a sharp curtailment of government expenditures, expenditures will be curtailed as rapidly as is consistent with the preservation of our national integrity and the maintenance of the public credit.

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THE PROBLEM OF THE REORGANIZATION OF THE FEDERAL GOVERNMENT¹

HERBERT C. HOOVER
Secretary of Commerce

THREE is one problem of the new administration that has received the attention and thought of the organized engineers of America for many years past. This is the problem of the reorganization of the federal government. The inadequacy, the wastefulness, and the inefficiency of our federal organization was evident enough under pre-war conditions. These inadequacies, these inefficiencies, these wastes were exhibited to the country during the war at the cost of millions.

Congress has placed the problem in the hands of a very able Congressional Joint Committee. But if this committee succeeds in securing the eminently necessary results it will only be by full insistent support of it by public opinion. Many attempts have been made at reorganization before but all of them have gone to the same crematory—the interminable differences in opinion among the executive and legislative officials over details.

To any student of federal organization, one sweeping and fundamental necessity stands out above all others, and that is that the administrative units of the government must be regrouped so as to give each of the great departments more nearly a single purpose. The hodge-podge of aims in certain administrative branches is scarcely believable when we consider our national pride and skill in organization. Such functions as public domain, public works, assistance to veterans, public health functions, aids to navigation, to industry, to trade, purchasing of major supplies, are each and every one scattered over from four to eight departments, most of which are devoted to some other major purpose.

Economies can be accomplished from a public point of view by an elimination of the overlap in these different units of

¹ A paper submitted and read by title at the Academy meeting in New York City, May 23, 1921, prepared originally as part of an address at the Engineers' Club of Philadelphia, Pa., April 16, 1921, which was printed in full in *The Journal of the Engineers' Club of Philadelphia*, May, 1921.

administration through unification into groups of similar purpose. The real economy to the nation, however, does not lie here, however great this may be, but it lies in their more effective functioning in their daily relation to the public. The extra cost imposed upon business in general in the determination of the relation of any particular business to the different functions of the government, with the unnecessarily duplicating interferences and demands is a real charge on national wealth, probably as great in some directions as the actual costs of the administrations themselves.

Of equal importance with economy is to secure effective concentration of government effort into service to the community. No constructive vision or policies can be built around a national service directed by from two to ten cabinet members, more especially when this particular purpose is a side issue to all of them. No better example of this exists than the deplorable handling of our relations to our veterans.

There are other reasons that render reorganization imperative. The changed economic situation of the world demands that the functions of the government in aid to commerce and industry be given more concentration and wider scope.

The enlarged activities of the government as a result of the war greatly affect certain departments. The Treasury today as the fiscal office of the government must handle an annual budget of \$5,000,000,000 as compared with \$1,000,000,000 pre-war. Activities of the army have increased from a budget of \$200,000,000 to \$400,000,000; activities of the navy have increased from a budget of \$125,000,000 to \$425,000,000. Thus the burden and responsibilities for the major purposes of these departments have been enormously increased. I believe it is the consensus of opinion of the gentlemen conducting these departments that in the interests of efficiency they should not be called to responsibility for the administration of at least some of the matters not pertinent to their major functions which clutter their departments.

We have also some confusion between executive, advisory, and semi-judicial functions. One of the tendencies of government both local and national during the last twenty years has been to add executive functions to commissions and boards created primarily for advisory or regulatory purposes. It requires no argument with our business public that the executive

functions can not rise to high efficiency in the hands of government boards where from the very nature of things each member has a separate responsibility to the public and is primarily engaged in a semi-judicial function.

Furthermore, during the last few years there has been a great growth of independent agencies in the government reporting directly to the President until his office is overburdened almost beyond the point of endurance. The original and sound conception was that the executive functions should be reported up to the President directly through his cabinet officials. Not only do these outside functions today overburden the President, but they render coordination with executive departments extremely difficult. It is neither possible nor advisable to place all these outside organizations into the departments, but much could be done to mitigate the situation.

One of the great steps in federal reorganization is the erection of a budget system, with its necessary reorganization of the Congressional committees. There can be no doubt as to the early accomplishment of this great reform, but it will not serve its real purpose until the departments have been reorganized so that they represent a common purpose. Without this, Congress will never have before it budgets showing the expenditure of the government in its relation to any particular function.

I have daily evidence in the department of Commerce of all these forces. The question of governmental aids to navigation is not by any means one of the principal functions of our government, but it must be a sore trial to the hardy mariner. He must obtain his domestic charts from the department of Commerce, his foreign charts from the Navy department, and his nautical almanac from the Naval Observatory—and he will in some circumstances get sailing directions from the Army. In a fog he may get radio signals from both the Navy and Commerce, and listen to fog horns and look for lights and buoys provided him by Commerce; if he sinks his life is saved by the Treasury. He will anchor at the direction of the Army, who rely upon the Treasury to enforce their will. His boilers and lifeboats are inspected by the department of Commerce; his crew is certificated by one bureau in Commerce, signed off in the presence of another, and inspected at sailing by the Treasury, and on arrival by the department of Labor.

It is possible to relate the same sort of story in our governmental relations to industry to our domestic and foreign commerce.

The moral of all this is that economy could be made by placing most of these functions under one head, not only economy to the government but to the mariner. Congress would know what it spends in aid to navigation and the government could develop definite policies in giving proper assistance and lastly could remove from the hardy mariner's mind his well founded contempt for the government as a business organization.

The economic changes in the world, growing out of the war, and their reflex upon our trade and industry make it vital if we are to maintain our standards of living against increasing ferocity of competition that we shall concentrate and enlarge our national effort in the aid, protection, stimulation and perfection of our industrial and commercial life. There can be no real department of Commerce or commercial policies to these broad purposes so long as the instrumentalities of the government bearing on these questions lie in half a dozen departments.

We want no paternalism in government. We do need in government aids to business in a collective sense. In a department we do not want to either engage in business or to regulate business. We need a department that can give prompt and accurate diagnosis from both a foreign and domestic point of view of economic events, of economic tendencies; of economic ills; that can promptly and accurately survey economic opportunity, economic discrimination and opposition; that can give scientific advice and assistance and stability to industry in furnishing it with prompt and accurate data upon production, supplies and consumption; that can cooperate with it in finding standards and simplifications; that can by broad study promote national conservation in industry and the elimination of waste; that can study and ventilate the commercial side of our power possibilities; that can study and advise national policies in development of rail, water, and overseas transportation; that, in fact covers, so far as government functions can cover, the broad commercial problems of trade, industry, and transportation. This can be accomplished more by coordination of existing governmental facilities than by increased expenditures.

IMPORTANT ASPECTS OF ADMINISTRATIVE REFORM IN THE FEDERAL GOVERNMENT¹

WILL H. HAYS
Postmaster General

THE tasks ahead will measure the brain and heart of America. The guidance is in good hands. From the time of the nomination until now, I have discussed matters with President Harding in as serious a manner as men can talk, and of as important subject matter as can be discussed. President Harding possesses just those vital qualities of mind and heart necessary today and in the time ahead. His poise of mind, his soundness of judgment, his hold on fundamentals, his appreciation of the needs of today and of tomorrow, his love of the people from whom he came and of whom he is one, and his faith in them; his magnificent grasp of large affairs, his great native ability and his training in statesmanship, his regard for the opinion of others, his experience and success in the handling of men, his proper appreciation of his country's position as a responsible factor in the world's future, but with the fullest realization of the absolute importance of our own supreme nationalism, his sterling Americanism, his righteous character and manhood, and withal his thorough humanness, all qualify him in the most exceptional degree for his tremendous responsibilities. He will make a great President. The country will love him, trust him and follow him, just as all who know him love and trust him; and the world will honor him.

He is no longer the candidate; he is in no sense a partisan president; he is the president of us all—with enough democrats voting for him to give them a fifty per cent equity in him—and we may look with the most complete confidence to his performance. He means very, very much, indeed, to the country's welfare.

¹ A paper submitted and read by title at the Academy meeting in New York City, May 23, 1921, containing parts of an address delivered before the American Newspaper Publishers' Association in New York City, April 28, 1921, and supplementary material relating to postal savings.

General Purposes

I would not presume, of course, to violate the proprieties by in any way attempting to indicate the purposes of the administration. I can imagine, however, that if we were to refer to the future in this regard we may vision with hope and assurance the administration moving out immediately to make certain:

- (1) An honest, efficient and economical business administration of the country's affairs.
- (2) That there be immediately developed and executed a plan for the reduction and equalization of taxes, with the repeal of the taxes which kill initiative, and the spreading of the war debt over a great number of years.
- (3) That there be developed a better relation between labor and capital, with justice to both and with justice to the public, the third side of the triangle, which must not be forgotten.
- (4) That every possible step be taken to bring the government back to the limitations of the constitution in times of peace, with no undue federalization of industries and activities, with federal regulation but not federal ownership; preventing the further spread of socialism, and setting the nation's feet firmly on the path of progress and along ways which liberty and order must ever guard and preserve.
- (5) That the administration will measure its steps forward by the new needs of the nation, with its eyes always ahead but with its feet always on solid ground.

General Reorganization of Executive Department

My own first interest, of course, is in the effort to improve the postal service. I have also a deep interest in the plan for a general reorganization of the whole executive branch of the government.

Referring first to the necessity of and the plan for a general reorganization of the executive department: Everyone is more or less familiar with the present organization of the government. We know we have ten great executive departments, each presided over by a member of the cabinet, but many are not familiar with the fact that there are more than 40 independent government establishments—such as the Federal Trade Commission, all of which carry on their work without the su-

perintendence of any cabinet officer—directly under the supervision of the President and Congress. This vast machinery, employing upwards of 600,000 persons, has not, unfortunately, taken its present form as the result of any careful, constructive planning on the part of Congress, but from its beginning in 1789 is the result of evolution—over a period of 130 years.

The principal defects in the present plan of organization are three:

First, certain of our executive departments have been given charge of a number of bureaus which have no relations to the proper functions of those departments. Take the Treasury department, for instance. The Treasury department was established to conduct the financial affairs of the government, to collect the taxes, to have custody of public funds, to pay the government's expenses, to coin money, to negotiate loans, and so on. But we now find in the Treasury department the coast guard, whose principal function is to maintain life-saving stations on the coast and on the Great Lakes—the supervising architect's office, which has charge of the erection and upkeep of federal buildings all over the country—the public health service, which is largely given over, at the present time, to providing hospital facilities for disabled soldiers and sailors—and the bureau of war risk insurance, which pays compensation to veterans and to dependent members of their families, and provides life insurance for ex-soldiers and sailors.

In the Interior department we find practically the same condition. The main purpose of that department was, originally, to administer the public domain, to supervise the sale and settlement of public lands, to watch over the government of our territories, to handle Indian affairs; in a word, to administer all federal matters relating to the great unsettled interior regions of the country. These problems have, of course, diminished in importance as the country has developed; and the Interior department has in more recent years become the repository of functions wholly without relation to its original purpose. The bureau of education is now in that department; also St. Elizabeth's Hospital, a government hospital for the insane located in the District of Columbia; Freedmen's Hospital, a government hospital for negroes; Howard University, a government school for negroes; and the patent office, and the bureau of pensions.

In the War department, whose function it is to maintain a fighting force for purposes of the national defense, we find a large number of the public works. That department has charge of public parks and certain public buildings in the District of Columbia; it annually expends upwards of \$50,000,000 in the improvement of rivers and harbors; it supervises the construction of bridges over navigable waters in all parts of the United States; it makes marine surveys of the great lakes, and publishes navigation charts of those waters; it determines and marks off anchorage grounds in New York harbor and in all other important harbors of the country. Among its many other military duties, the War department is charged with the care and maintenance of Niagara Falls. Obviously effective supervision and management, and a proper coordination of work, are impossible under an arrangement which, for example, requires the general administration of the public health service by a financial expert, a man selected wholly without regard to any ability he may have in the field of medical science.

The second principal defect which characterizes the existing organization is the location in different departments of agencies which ought to be closely associated. The coast guard maintains 300 life-saving stations along our coasts. The light-house service has about the same number of light-houses—many of them located within a few steps of life-saving stations. The coast guard is in the Treasury department, and the light-house service is in the department of commerce. Of course, they should be consolidated.

The public works or engineering agencies of the government, all requiring personnel of the same character, all doing work of the same general class, are widely scattered among the departments. I have already spoken of river and harbor improvements in the War department, and of public buildings in the Treasury department. The reclamation service is located in the department of the Interior, and the bureau of public roads in the department of Agriculture.

To cite one further example—a half dozen agencies of the government are now engaged in disseminating intelligence to the navigational interests of the country. Charts of the American sections of the Great Lakes are prepared and fur-

nished by the lake survey of the War department; charts of the Canadian sections of the Great Lakes and of foreign waters are furnished by the Navy department; charts of our Atlantic and Pacific coasts and of our territorial waters are prepared and furnished by the department of Commerce; storm warnings are sent out by the weather bureau, of the department of Agriculture; nautical almanacs are provided by the naval observatory.

It is not necessary to point out the numerous duplications of overhead, of plant, equipment and personnel, which unavoidably accompany this scattering of similar work among different departments.

The third principal defect in the administrative organization is the absence of adequate machinery for the control and management of the executive branch as a whole. To all intents and purposes the ten great executive departments function independently of each other; and all of the forty-odd establishments—not under any cabinet officer—conduct their business practically without any coordinating influence whatsoever. Under the Constitution the president is responsible for the management of the executive branch of the government, but, up to the present, Congress has not seen fit to give to the chief executive any machinery with which he can effectively discharge this responsibility. The president's staff consists wholly of a small number of personal secretaries and clerks. The time of this staff is taken up with the consideration of legislative business, the preparation of commissions, appointment matters, and so on. It is primarily this condition which has in late years given rise to the demand for a budget system, which among other things, would provide the chief executive with an agency through which he could coordinate the activities of the ten executive departments and the forty-odd independent establishments.

The administration proposes to eliminate these defects. You are familiar with the joint congressional committee on reorganization which has been appointed, consisting of three members of the House of representatives, and three senators, with an appointee of the President as chairman. Legislation authorized the addition of a personal representative of the President to the membership of this committee in order to insure the

necessary cooperation between the executive and legislative branches. The committee has, of course, an enormous task—one which will require many months for its completion. It has undertaken to make a detailed survey of the work of all branches of the government, and within the current year it is expected that the results of its survey will be incorporated in a bill and reported to Congress for action, with the approval of the President in advance.

Seven Suggested Changes

It would seem natural to expect:

First—The change of the name of the department of the Interior to department of Public Works, and the concentration in that department of all civil public works of the government, as well as all those services which have to do with the administration and utilization of the public domain.

Second—The establishment of a new department, the department of Public Welfare, to have charge of all bureaus and offices which handle relief work for the veterans of the war with Germany, including the bureau of war risk insurance, the federal board of vocational education, and the hospitalization division of the public health service. In this department would be placed also those bureaus which deal with health questions generally, with education and social welfare.

Third—The stripping of the Treasury department of all except its necessary and proper fiscal functions.

Fourth—The transfer of all non-military work from the War department and the Navy department to the regular civilian departments of the government.

Fifth—The enlargement of the department of Commerce and the transfer to that department of all agencies which have to do with the promotion of commerce and the protection of navigation.

Sixth—The establishment of a centralized purchasing agency to do the buying for all branches of the executive establishment.

Seventh—The creation of a budget bureau, to aid the president in the direction and control of the work of all executive departments and independent establishments, and in the formulation of a definite financial and work program for the government as a whole.

I do not want to leave the impression that the administration is standing behind this particular program, either wholly or in part, but some such changes would be natural and whatever plan is finally adopted, the reorganization will bring a material reduction in the overhead or contingent expenses of the federal establishment and an improvement in the quality of the service rendered the public.

The Postal Service

Now as to the postal service in particular:

The post office service is generally taken for granted like the sequence of the seasons. Men forget that it is a fact that the United States postal service is the biggest distinct business in the world. We have 300,000 employees immediately connected with the operation, with one hundred million customers. The annual turnover of the business in the Post Office department amounts to nearly three billion dollars, with an expenditure of six hundred millions annually. We have the largest express company in the world, handling nearly three billion packages last year; we have the largest savings bank in the world in number of depositors. The leading 15 savings banks in this country each pay four per cent interest on deposits except one, which pays 3.6 per cent. The postal savings pays but two per cent and there has never been any real effort to promote the business and we have approximately twice as many depositors as any other savings bank. Seventy-five per cent of the depositors are foreign-born or of foreign extraction, whose money would otherwise be in hiding. We have recently made arrangements with immigration officers at the various ports of entry in the United States for the distribution to the immigrants of circulars and leaflets in appropriate foreign languages. This is of some moment in the education of new citizenry. There is twice as much postal business done in New York City alone as in the entire Dominion of Canada. The postal receipts in the New York office have increased 289 per cent since 1912 and there has been no increase in postal facilities since that date. Every hour in the day the post office department handles an average of 1,700,000 letters. During a recent strike in Chicago there was delivered to one firm in one day over 15,000 packages of merchandise, averaging 58 pounds each, a total of 870,000 pounds, or 435 tons.

There were 76,913,779 pieces of registered mail last year; there were 95,384,808 pieces insured and 20,098,527 C. O. D.'s. The total number of separate stamps, cards and envelopes sold last year was 16,662,256,609, with a daily average of 54,451,-818. There were over 150 million domestic money orders, amounting to more than 1½ billion dollars, with payments approximating the same amount, making the total money-order business more than 2½ billion last year.

The international money-order business with foreign countries suffered during the war, of course, but nearly 2,000,000 international money orders were issued, approximating \$33,000,000 in value, and 1½ million were paid totaling more than \$25,000,000.

In this connection I might remark that as an adjunct to the campaign for increasing our trade with South America, international money orders may now be exchanged with many of the South and Central American countries, and negotiations are being now conducted with the postal administrations of all the others, and it is expected that very soon it will be possible for American exporters to receive payment for their goods wherever shipped in South America by postal money orders payable in dollars at their local post offices.

In this connection, too, I might suggest that I hope it will be possible to induce the commercial interests or the chambers of commerce to send delegates to the Pan-American Postal Congress at Buenos Aires next August to help develop this.

We have this month caused a resumption of the mail boat service in New York harbor whereby mails from abroad are removed from the steamships at quarantine and delivered at the postoffice or railroad stations in New York, preventing the delay that would otherwise occur where the mails are kept on the steamships until the vessels come to the piers next morning. Also, provision has been made to give the New York public the benefit of mailing correspondence up to fifteen minutes of sailing time.

We have now under consideration the inauguration of a sea post service. The fact is that now with the conclusion that has been reached of the arrangements for sending mail to Soviet Russia, the foreign mail service is nearly again at normalcy.

The railway mail service is of course the one chief transportation agency and the mileage is over 280,000,000 miles annually in which distribution is performed, with an additional 90,000,000 miles annually of 60-foot storage cars.

The growth of the parcel post and the natural increase in the postal business has made our facilities in many places entirely inadequate, but this will be corrected as fast as possible, consistent with the general financial condition.

The air mail service is not generally recognized. The air mail service is desirable per se, but I believe that the basic value of an air mail service is its potentiality as a second line of defense in case of necessity. The air mail service of the Post Office department is a most consequential aero activity. The transcontinental route and the laterals are all in daily operation. These require 6,866 miles of flying each day or 2,059,000 miles per year for 300 working days. There are 4,800 pounds of mail or 192,000 letters carried each day with 24 different airplanes and pilots participating daily. Sixty-five planes are kept in readiness and 35 are daily undergoing repairs. We have a force of 55 pilots and 400 mechanics, with 21 landing fields approximately 200 miles apart, constituting the only operative continental airway in the world. These fields are linked by leased telegraph and radio services and divided into five operating divisions, with an average of 75 miles each in one-way distance.

The accomplishment of our air mail service has been very much greater than that of any other country. As indicated above, I think it has great value per se. It is my opinion, however, that there should be a closer connection between the air mail service and the air service of the war and navy departments and we have moved to that end in a very definite way.

The new radio service was opened on April 22, to furnish expeditious information to citizens living in the more isolated agricultural sections. The Post Office department sends by radio this information, which is compiled by the bureau of markets and weather bureau of the department of Agriculture, at practically no expense to the government through the utilization of a chain of radio stations constructed to provide rapid means of communication for the air mail service. The remote

agricultural sections particularly are benefited just as they are by the extension of the rural free delivery, which shall continue.

Employee Welfare

You have probably all heard of the effort which we are undertaking to improve the conditions of the employees. It has been my very earnest purpose to watch for reasons and to take advantage of opportunities to publicly express approval of what has been done in the Post Office department in the past. There are many reasons. It must be remembered that the postal service in every country in the world broke down during the war except in the United States, where our service suffered as little certainly as any other business in this country. There were no embargoes on mail or parcel post. In spite of a loss of a large per cent of efficient help and the taking on of nearly 40,000 untrained men and women, the postal service continued to function. It was really a magnificent performance and entitled to the very greatest credit. I do believe, however, that in the matter of the relations between the men in the service and the government there can be much improvement. The one most important element in any service is the spirit of the men doing it. And we must get away in the post office service from any idea that labor is a commodity. I would reiterate the suggestion that that idea was abandoned nineteen centuries ago.

I am determined in all seriousness to go to great lengths to develop the idea in the department that we are 300,000 partners. The working conditions, in many places are unsatisfactory and a large amount of work must be done in that direction. There is no doubt about the quality of our employees. They have the brains and they have the hands to do this job well, but some place along the line the heart has been lost out of the works.

New Welfare Department

We are going to have a welfare department just as definite in its duties and certain in its functioning as the fiscal department or any other department. It will be in charge of an individual competent to look after it, doing nothing else. Every other large industry in the country has adopted welfare meas-

ures. This humanizing business is not original. It has been the definite trend of American business for the past generation. Just how far I can go with it in the Post Office department I don't know but it is certain that very much can be done and not in any sense in lieu of wages. All the things that are done successfully for the welfare of the employees in other successful business must be done as far as possible in this the greatest of all businesses. Why it has not been seriously gone after before in the Post Office Department I don't know. It is certainly one of the very definite purposes of the days just ahead. If we can improve the spirit and actual conditions of the 300,000 men and women who do this job, that in itself is an accomplishment, and it is just as certain to bring a consequential improvement in the service as tomorrow's sun.

Service not Politics

I have said and I reiterate in the dignity and responsibility of this presence, that it is my opinion the postal establishment is most certainly not an institution for profit nor for politics, but an institution for service; and it is the President's most earnest purpose to improve that service. You can't expect men and women to give service if they are to be shuttlecocks of politics. It would be my very greatest satisfaction if in this effort I contribute a little to the end that the postal service be made more and more a desirable career into which the young enter with a certainty that their service will be performed under reasonable conditions for a reasonable wage and for an appreciative people. The men and women who constitute the great army of employees are doing a distinct government and public service and they are entitled to an appreciation commensurate with the efficiency and importance of that service. The first element of a proper appreciation is to make certain that honest and efficient service shall be honestly recognized and that the merit system shall control without any subterfuge under any circumstances whatsoever. I have said, and I repeat, that my purposes are: first, to make such rectifications as in all decency and fairness must be made to assure a square deal. Second, to strengthen and broaden the civil service at every point wherever possible to the end that merit may govern. Third, with absolute fidelity to put the

entire service upon a purely business basis so sound and so serviceable that no political party will ever again dare attempt to ignore or evade it ultimately.

Protection of the Mail

I have been astounded at the facts which I have discovered relative to mail robberies. The truth is there have been in the last year 33 major robberies with a known loss of \$6,204,000, and a known recovery of \$3,030,000. In the Chicago district alone in the last fiscal year there were 90,000 complaints of the loss of mail. This is an intolerable situation. The responsibility is not in any sense on us for the past, but I do say the responsibility is ours to stop these outrages. The public has never been apprised of these facts, on the theory, I assume that robberies might thereby be encouraged. I have taken the other position and I am determined to correct the situation. In the handling of thousands of millions of pieces of mail yearly the government has a sacred duty and the duty applies to the smallest postal card from the humblest citizen as much as to the shipment of bullion and millions in gold, and no more so.

We assume the mail is the one most inviolate thing in the country and it must be kept so. In an effort toward this end we have obtained from the War department 16,000 automatic revolvers, a million rounds of ammunition, and several hundred riot guns, and are arming all the essential postal employes. In addition we have offered a reward of \$5,000 to anyone, in or out of the service, who will bring in one of these mail robbers and declared that every man would be expected to uphold the honor of the service. We simply have to go back to the old Wells Fargo days and shoot to kill and we are going to do it.

The Joint Postal Commission

I want at this point to interject a word of most earnest commendation of the purposes and performances and the future great value of the joint postal commission now at work in Washington. This consists, as you know, of five Senators and five Congressmen, with a citizens advisory council of seven. Senator Charles E. Townsend, chairman of the Senate Post Office Committee, is chairman of this commission, and Con-

gressman Steenerson, chairman of the House Post Office Committee, is vice-chairman of this commission. There is the closest relation between their activities and the department. They have sufficient funds with which to prosecute their investigations and are men of very great experience in postal affairs. They have employed efficient engineers and accountants. We have assigned from the Post Office department many experts for their use, and I am confident that when the work is completed there will be plans developed which when put into execution will go far toward materially helping the situation. We are making this commission the executive committee of the department, and the entire membership of the Senate and House Postal Committees are a board of directors. There is the most cordial relation and cooperation obtaining. I have learned that heretofore there has been a feeling that the department has not been inclined to deal openly and frankly with the lawmaking branch of the government. Of course, there is no excuse for this. The work which is being done by this commission is invaluable to the department and I cannot too strongly commend it. It is the biggest factor for good in our situation.

Second Class Mail

Finally, our present chief concern is with what are known as second class mails. I suppose that it is necessary to have such classifications, and to reckon as first class the mails which pay the highest rates of postage. Yet I am sure that no mail matter is of more first class importance than newspapers and periodicals. Consider, if you please, the magnitude of it. The periodical press of the United States sends out more than two hundred million—probably two hundred and fifty million—copies of each issue. Of course, not all go through the mails. But a large proportion, perhaps the major portion of them, do. Millions and millions of newspapers, every day. Other millions of papers and magazines every week. Still other millions of periodicals every month. And then, for each million periodicals going through the mails, there are four or five million readers—really, we shall be presently dealing in numbers which will deserve the attention of Professor Einstein with his theory of relativity as applied to the bounds or the boundlessness of the universe.

Now all these are dependent upon the mails; and at least so far as the daily newspapers are concerned they are thus dependent to a degree which makes them worthy to be reckoned as of first class importance. For the one unpardonable sin of the post office is not to deliver the daily paper on time. If it is merely a letter, a bit of so-called first-class mail matter, which doesn't show up when you expect it, why, perhaps the other fellow didn't write it on time, or perhaps he carried it about in his pocket a few days before mailing it. I have been credibly informed that some very estimable ladies have charged their husbands with such nefarious practices. And, of course, we of the post office department are always glad to recognize the plausibility and the probability of such an explanation. It lets us out.

But with the newspaper mail, such excuses don't go. We all know that the newspapers go to press on time, that they get off the press on time, that they are delivered to the post office on time, and that therefore if they do not reach their subscribers on time the fault lies not with the publishers but with the post office department.

And generally speaking, that's so. I'm not going to dodge the responsibility. There's no use in dodging when the dodging isn't good. There are no doubt some cases in which the forms of a paper are held open, to get in a report of somebody's after-dinner and after-midnight speech, until it is too late to get it off the press in time to catch the early mails. But such cases are few and far between, perhaps because of the fewness of after-dinner speeches that are worth the sacrifice. Much more numerous are the cases in which, though delivered to the mails on time, the papers fail to be delivered to their subscribers on time.

Such delinquency or delay is, moreover, more serious and aggravating, generally, than in the case of letters. Of course, some letters are of urgent importance; but the newspaper is preeminently a thing a man wants when he wants it, and if he can't have it when he wants it, he doesn't want it at all. But he is going to find out why he doesn't get it. Why, a last year's bird's nest simply isn't in it with a newspaper that has arrived late.

Now you see, in wishing to speed up the postal service for
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periodicals I am looking out for my own peace and comfort, for when there is a delinquency in dealing with so-called first class mails, or with parcels post, there is always a fair chance of placing the blame upon the other fellow. But when second class matter goes astray, when a newspaper bundle intended for Hohokus is delivered at Kalamazoo, I and I alone am the goat.

That is why I am particularly desirous of improving the operations of the Post Office department; that and the incidental reason that we want to serve the whole public as efficiently as possible. That is why I want to bespeak the sympathy and forbearance of the Newspaper Publishers' Association and also their active cooperation in a task in which we are all deeply interested. It is a task, too, in which success is attainable only through such cooperation. For, believe me, the task is gigantic. Marvellous indeed would it be if a service were rendered impeccably, with never a hitch, never a miss, never an error. But this is an age of marvels, and it may be that we shall produce one, through the application of that cooperation, that team-work, which is the true magic wand.

Now in soliciting such team-work, don't imagine that I am trying to dodge all fault-finding, and to decry all criticism. There is nothing more helpful than criticism, rightly designed and rightly applied. But there are two ways of using bricks. You may throw them at a fellow, in which case, if they hit him they not only hurt but they are pretty sure to interfere with his work and to make it worse than ever. On the other hand, you may use them in helping to build the structure on which he is engaged, in which case you help him and you serve yourself by helping him to serve you.

There is nothing, then, that the Post Office department welcomes more than constructive criticism. If anything is going wrong, we want to know it; and in the majority of cases about the only way we have of knowing about it is through being told by those who suffer the grievance. It is only when we know about it that we are able to correct it. So the simple reporting of defects is to some extent a constructive service. But it is a still better thing to group together, in Cato's phrase, the bane and antidote, and while complaining of the error to point out the method of correction. For it often happens that

the man who is served knows better how he should most satisfactorily be served than does the man who serves him. I don't mean that every man, as is sometimes said, knows everybody's else business better than he knows his own; nor yet that any man should look to others to tell him how to run his business. But I do mean that no man, not even the youngest and freshest graduate of an efficiency school, should be above learning from others, and especially he should not be above taking hints from those who are directly interested in the very business that he is engaged in, only at the other side of the table.

Now, my colleagues and I are interested in making the postal service just as efficient as it can possibly be; and while we are aiming at such an achievement in all departments, we certainly give precedence to no other over that which has to do with the newspaper and magazine publishing trade. And, of course, the gentlemen of that great trade are equally interested, though in a different way, in having us do that.

I don't know what service the publishing trade or the public generally can render me, in suggestion or advice. If I did know, I wouldn't need the service, for I could do it myself. You needn't hesitate to do so, for fear that it will be regarded as intrusive. I'm telling you here and now that it will be welcomed; and I'm warning you that it will be merely a reverse application of the Golden Rule. You will simply be doing to me what I purpose to do to you if ever and whenever there is occasion.

Early Mailing

Here is an illustration of what I mean: The other day on a visit to the Washington post office I discovered that they received 700,000 letters per day, 600,000 of which were deposited between four and seven o'clock in the afternoon; that 90 per cent of that impossible peak was circular matter which could be mailed any old time, and that 76 per cent of it all was government mail. An inexcusable condition. After we cleaned our own house I took the liberty of suggesting to business men generally, to all who send out many letters, that they deliver their mail matter to the post office as fast as possible, instead of letting it accumulate hour after hour until just before clos-

ing time and then dumping it all upon us in a mass. You can imagine, if your able-bodied imagination is in good working order, what a howl there would be, and what a howl you yourselves would raise, and would very properly raise, if the post office held your mail all day and then delivered the whole day's accumulation to you in a bunch at the close of office hours. Instead of that, we send it out to you every hour, or every half-hour. Well, it's a poor rule that won't work both ways; and I do hope that not you, of course, but the other business men of whom I was speaking, will appreciate the fact that it is more blessed to give than to receive; or at least that it is just as blessed to deliver mail to the post office hour by hour as it is to receive it hour by hour.

It is working in Washington and the postmaster has been able to change thirty-two men already from night to day work because of the relief, and it is succeeding elsewhere as certainly.

I think that it was legitimate for me to make this suggestion to business men, because it was obviously for their own good as well as for the convenience of the post office, and it will be equally legitimate for you or any business men to make suggestions to the post office department for the facilitation or the expedition or in any way the improvement of the service. In one important respect your work and mine are very much alike, and that is, in their intimate relationship to the whole people. Wendell Phillips said of the newspaper that it is "school, counsellor, church, all in one; every drop of our blood is colored by it." And in that there is little if any exaggeration. The newspaper and periodical press enters into every home in the land, and has its influence upon every individual. Well, just so the post office department enters practically every home in the land, and serves every individual. There is no other department of government that so generally, so universally, comes into direct contact with the people; not even the income tax collector, for there are those whose incomes fall below the minimum limit, but the man who does not at some time during the year send something or receive something through the mails, is indeed a rare specimen.

Postal Savings System

It is very certain that the postal savings system must be reformed. With a treatment of depositors that has amounted almost to fraud, with the number of offices receiving deposits reduced from 12,823 in 1912 to 6,314 in 1920, and with no real effort to secure deposits, the postal savings nevertheless has practically twice as many depositors as any other savings bank in the country and pays less than half as much interest on deposits. Over seventy per cent of postal savings depositors are foreign born or of foreign extraction, many trusting no one but the government of the United States. In all foreign countries the number of depositors in savings and other banks is in direct proportion to the attention given postal savings and the number of postal savings depositors.

With 161 millions on deposit last year from 508,000 depositors, and with the law providing that two per cent interest be paid, the government because of the system paid less than one and one-half per cent interest to these depositors and by redepositing at two and one-half per cent made a net profit over all interest payment and expenses of \$1,720,000.

This was sheer profiteering. This money belonged to the depositors. The certificates issued unequivocally pledge two per cent interest and fail to say anything whatever about no interest being paid if the deposits are not left a year. The government is not in the banking business for profit. The government is in the banking business to facilitate and increase the national savings and to promote economy and thrift. The postal savings has not scratched the surface notwithstanding the magnificent conception of public duty that inspired its founding.

Postal savings shall not compete with savings banks. We do not want depositors from savings banks. But there is a tremendous hoarded wealth in the country estimated by many well informed at a billion dollars. The savings banks cannot bring it out. The postal savings has not yet brought it out. Nothing can bring it out but the faith in the security of the government of the United States and a larger interest return on the deposits and the acquainting of the holders with our purpose and their opportunity. This we hope to do. This money is needed in circulation now. If a billion dollars can

be brought out of stockings and closets and saved from waste and "wild cats," it will do incalculable good. It will make general bank depositors and ultimate government bond owners out of the timorous; it will give small capital a chance for an honest return the same as large capital; it will furnish the tonic to conclude the business convalescence in the country and will help make economy and thrift a national trait much needed.

We believe this can be done. First the government must stop profiteering and the interest rate should be increased from 2 to 3 per cent, with a compensatory rate charged the banks where the funds are redeposited. The method of computing the interest should be reformed so that the depositors shall receive interest on funds held less than one year. Joint and trust funds should be allowed and the youth limit should be removed. Savings should be received at fifty thousand instead of 6300 post offices and fourth class postmasters should be fairly compensated for handling the business. The funds should be redeposited in the local banks where collected and a more liberal arrangement perfected for depository banks to qualify. And the system should be reorganized at the top with an enlarged board of directors into which the Federal Reserve Bank may be brought.

There is a lot of business in this country that is really sick, still staggering with the shell-shock of war and the debauch of extravagance, but there is a good deal more that is merely malingering. What we need more than anything else is the common sense of courage and confidence. There is, of course, the greatest era of expansion and prosperity ahead that the world has ever seen. Everyone knows this and the only question discussed is when it will start. Well, it's time to go out and meet it. This we propose to help do.

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STATE REORGANIZATIONS AND THE FEDERAL PROBLEM

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ILLINOIS in 1917, and Nebraska and Idaho in 1919 enacted complete state administrative reorganizations with respect to that part of the state executive authority not under the control of elective state officers other than the governor. The state executive power is by constitutional provision in these states vested in part in elective state officers other than the governor, and this situation cannot be changed without constitutional amendment; but the governor is so much more important than other elective state officers that a reorganization of the services not under these lesser officers covers about nine-tenths of the state's activities. But because all cannot be consolidated under the governor, the one-tenth remaining outside constitutes an administrative problem whose seriousness cannot be measured by percentages. In 1921 similar legislation was enacted by the states of Washington and Ohio. To what extent do these state administrative reorganizations throw light upon the similar federal problem? Illinois until recently had perhaps the most effective administrative reorganization, although the legislation enacted in Ohio in 1921 is in many respects more satisfactory. However, the Ohio situation is much less satisfactory than that of Illinois in that the governor of Ohio serves for a two-year term only, whereas the governor of Illinois has a four-year term.

The state administrative reorganizations referred to above are sometimes spoken of as having been copied from the federal administrative organization. That is, these state reorganizations seek to combine in a single department somewhat related functions, and to form the heads of the several departments into what substantially amounts to a governor's cabinet. So far the analogy between the state administrative reorganizations and the present federal administrative organization is fairly close, but such analogy goes no farther. In Illinois the

powers to be exercised by a department have been vested in the department as such, and are under the direct and immediate supervision of the head of that department, although under the Illinois legislation the heads of divisions within departments are appointed by the governor in the same manner as are the heads of departments. Under the Ohio administrative reorganization of 1921 all powers are vested in the departments, and the heads of departments are appointed by and removable by the governor. However, the Ohio plan goes a step farther than that of Illinois and gives to the head of each department the appointment of the chiefs of divisions within that department. To this statement a single exception should be made, that with respect to the officer charged with the supervision of banks.

Not only this, but in Ohio the directors of the departments of Finance, Industrial Relations and Commerce, have been made respectively the secretaries of the Tax Commission, the Industrial Commission, and the Public Utilities Commission, and the administrative side of the work of these three commissions has substantially been made a part of the administrative work of the respective departments. The commissions have been left independent in the performance of their quasi-judicial tasks, but in Ohio the longest step has been taken toward having the head of each department in substantially complete control of the work of that department.

Under the federal administrative system at the present time there are, of course, ten departments, with their heads serving as members of the president's cabinet, but there are also a number of independent offices and commissions which are not in any way tied up with these departments. The president faces in his supervision of the national executive authority not merely ten departments, but these ten departments plus a number of independent offices and commissions.

Not only this, but when we come to analyze the several departments of the national government, we find that there is no complete authority in the head of a department over the specific activities supposedly under his supervision. Under the administrative reorganization in Illinois to a large extent, and more completely under the administrative reorganization in Ohio, the powers vested in a department are vested in the department

itself, and are under the complete control and supervision of the director of the department. The director of the department is, therefore, responsible to the governor of the state for the work of that department, and through the heads of the several departments the governor is in a position when budget estimates are to be made up, to say definitely what should be done, and to supervise the estimates not only of the head of the department but also of each division within the department.

In the federal administrative organization at the present time powers are in the main not vested in the department, but are directly vested in some one of the bureaus of the department; and in the performance of their statutory functions a large number of the federal bureaus within the ten departments are substantially as independent of the head of the department as they would be of an outsider. That is, under the federal system there is a theoretical subordination of bureaus to departments and of departments to the president, but this subordination is largely theoretical because of the steady growth of independent functions vested by statute in the various bureaus, such functions being exercised to a large extent independently of the head of the department. In fact, in connection with the recent budget proposals, the most serious defect in the federal administrative organization from the standpoint of real responsibility has been exalted into a virtue, and it has been urged that one of the merits of the new budget system established by act of June 10, 1921, is that the budget director is to exercise his powers by virtue of statute or of executive regulations independently of the department in which he is nominally placed. So long as the federal administrative system has a theoretical organization of ten departments, but practically an organization into independent units within departments, there can be no effective responsibility of this administrative organization to the president. The president can, of course, issue orders through the heads of departments to the heads of substantially independent bureaus; but without express orders from the president, the heads of departments must be very careful as to the degree of supervision which they may seek to exercise over bureaus within their departments substantially independent in the matter of legal duties and whose heads are appointed in the same manner as are the heads of departments. That is, under the

present federal organization the president faces not merely ten departments (plus various independent offices and commissions) but actually faces as many independent administrative units as there are independent statutory functions; and such a department as the treasury department is not one unit but largely a group of independent statutory functions.

The mere rearrangement of the units of the federal administrative system will accomplish little or nothing unless there is some type of organization adopted which will bring a more distinct responsibility of bureaus to departments, and by bringing such a greater degree of responsibility of bureaus to departments, will give to the president of the United States a more effective means of controlling the federal administrative system through the heads of departments. It is an interesting fact that during the emergency of war, a whole group of great activities of the national government was organized independently of the ten departments, although many of these war activities bore a close relationship to existing departmental functions.

The heads of departments of the federal system must remain and should properly remain officers changing with administrations—officers through whom the president exercises or may exercise a fairly complete supervision over the policies of the national administration. That is, the heads of the ten great departments in Washington should serve much the same purpose as do the cabinet officers under the British system. They should be the officers through whom policy is determined, and they should have under them an effective and permanent administrative system through which policies are executed. On the whole, there is substantially little need for changing each four years any officers below the heads of the ten great departments, and there should be so far as possible permanent and technically trained heads of bureaus to carry out effectively the policies determined upon. There should also be permanent administrative departmental heads under the cabinet officers who may constitute a professional and technical group, not for the determination of policy, but for the effective carrying out of the policies determined upon by the president and his cabinet.

When it is carefully analyzed, the present federal adminis-

trative system does not look very dissimilar from the state administrative system of Illinois before the reorganization of 1917. The state administrative system of Illinois so far as it was immediately responsible to the governor in Illinois before 1917 was composed of some hundred or more independent offices, boards, and commissions, each with its separate statutory powers, and each with its separately appointed and independent head. These offices were too numerous to be effectively supervised by any one man, and their relationships with each other and with the head of the executive department were such that the governor exercised and could exercise only a perfunctory supervision over them. The state administrative reorganizations in Illinois and Ohio have taken as their fundamental principle, not only that all of these previously independent functions should be grouped under departments, but also that the functions brought within any one department should be vested not in sub-divisions of that department but in the department itself, and subject to the immediate supervision of the director of that department.

Of course, there are always some activities, both in federal and in state administration, of a quasi-judicial character, which must to a large extent be handled independently of the heads of departments. The theory as to such functions has led, however, to too great a creation of independent boards and commissions at Washington, and to too much of a setting up of independent statutory powers in the bureaus within departments. Without some reduction of this practice and something of a real supervision by the heads of the great departments, no effective administrative reorganization can be brought about.

Not only this, but without steps in the direction of real responsibility of bureaus to departments in Washington, there can be no very effective budgetary organization. The Illinois budgetary experience shows quite clearly that what is needed in order to establish an effective executive budget is not so much detailed legislation or constitutional amendments for a budget system, as it is such a responsibility of the administrative organization to the governor that the governor may determine in the last resort what general financial plan shall be submitted to the legislative body as a basis for appropriations. Not only this, but the plan submitted by the governor, or by the

president for appropriations, means little or nothing unless the head of the executive, whether he be president or governor, so controls his administrative organization that there is no lobbying behind his back in order to get greater appropriations than those to which he has consented in the submission of his financial program. The executive department is the great spending department of the government, and the president is not really the executive head unless he controls the financial program of that department. Without such a control the submission of a budget by the president or by a governor amounts to little more than the paper upon which it is printed.

The problem of standardization of administrative personnel is but another aspect of the problem discussed above. By a standardization of personnel and of its compensation, it is possible to simplify the methods of preparing a financial program and to obtain a uniformity of compensation throughout all of the departments of the federal system. Here again the problem is one which has a vital relationship to administrative reorganization and to the budget. No effective budget under executive control can ever be established so long as the several departments of the national government enter into a competition with each other as to the compensation to be paid their superior and subordinate employees. A definite plan for the standardization of compensation, worked out under the supervision of the president in cooperation with the heads of his departments and made a part of a financial program submitted to Congress (which may not be defeated by bureaus and departments lobbying with Congress), constitutes an essential of a proper budget.

What is sought to be emphasized in this statement is that federal administrative reorganization, financial program, and standardization of personnel, constitute a single program so tied together that they must be handled as a unit. Any plan of federal budgetary administration which does not take into account the necessity for a federal administrative reorganization is almost sure to fail. In fact, what must almost necessarily be done in order to have an effective budget in the national system is first to obtain such an administrative reorganization as will give to the president through the heads of his great departments a real and substantial command of the situation.

A budget is the financial picture of the government for which it is made, and the picture cannot readily be retouched so as to look better than the government which constitutes the original. There can be no centralized budgetary control unless there is an administrative control and responsibility. The budget is not merely an estimate of proposed appropriations, or such proposal plus proposed means of raising revenue. It is the financial plan for the operation of government during the period covered by such proposals enacted into law. The administration of the budget, year in and year out, is equally as important as its proposal and legislative approval. Permanent financial control is an essential element in a successful budget. The experience of Illinois makes it seem highly desirable that there should be a department under the president or governor whose sole function should be to prepare the budget, and to exercise a permanent financial control so as to see that the budget is actually carried out. Unless these two functions are united into a single department, no budget director will have the detailed information upon the basis of which to pass upon proposed estimates which are to constitute a budget, and no department or office charged with financial control can fully know the budget program which it is supposed to administer.

A department charged with these functions should be limited to the task of financial control, for to charge it with large administrative work in addition would almost certainly destroy its efficiency as a financial agency. An administrative supervision over the enacted budget is essential, and this supervision so as to make sure that the budget once enacted is an actual force, can never be divorced from the task of preparing a budget. The two tasks are executive, and constitute a single problem, and in no way encroach upon the legislative department. United and properly performed, they make possible the exercise of the legislative function of controlling governmental policy upon the basis of adequate information. The legislative department is properly not organized to administer the details of financial control, and if it sought to organize itself for this purpose would almost certainly lose in a maze of details the control of policy which it can and should actually exercise. The very magnitude of the federal problem of budgetary and financial control makes it more essential than in the states that

the legislative department should guard against losing its way in the labyrinth of accounting and financial detail. Not only are these two functions inseparable, but it is difficult to see how the president can be the head of an executive department which is really responsible to him unless he controls the budgetary recommendations made by all parts of the executive department, and the administration of appropriations made to that department. For Congress to seek to hold him responsible for results in his department without giving him power to achieve results would be futile.

One of the most serious difficulties in the past with federal financing has arisen because of deficiencies which must be met at each session of Congress. It is very well to say that Congress will not appropriate to meet deficiencies which have already been incurred, but no legislative body can or should take such an attitude. Under the plan involved in the federal legislation of June 10, how is the problem of deficiencies to be met? The budget authority and the accounting authority are made independent of each other, and under the accounting authority as it has operated in the past little has been or could have been accomplished to prevent the creation of deficiencies. In order to prevent deficiencies, something needs to be done in the administration of appropriations from the very date when such appropriations become available, and there is need for a definite plan of reporting month by month not merely what money has been expended, but also what obligations have been incurred. With machinery for the preparation of the budget independent of the machinery for budgetary control throughout the life of the budget, such a plan of reporting is not likely to be set up, and the existence or possible existence of deficiencies cannot be known to the budget authority until new estimates come to be prepared. It is then too late to deal in any intelligent manner with the problem of deficiencies. This problem is cited as illustrating the necessity for uniting the preparation of budget estimates with a continuous budgetary control. This does not mean that the details of accounting should be handled as a part of budgetary control, but it does mean that in order to have an effective budget in state or nation, power must be in the same hands to prepare and obtain legislative approval of a budget, and also to see that this budget

is lived up to for the whole period which it covers. There has never been in the federal organization any effective machinery for this purpose and no machinery is set up by the recent legislation. Any success with the budget obtained under the Illinois reorganization of 1917 has been obtained by the union of the two functions here under discussion.

There is no intention here of going into the problem of congressional organization for the consideration of the budget. This problem is too important to be considered within the present limits in reference to state experience, but it is, of course, necessary that there be a greater unification of congressional machinery than that now existing.

A word should be said about one of the chief problems of state and national budgetary organization—the problem of continuity of policy as bearing upon frequent changes of administrations. Illinois has just had her first test of budgetary procedure in this respect. If each state and national administration is to disregard the policies of the past administration and is to establish anew its financial policy without reference to the past, a budgetary plan will fail at each time when governors or presidents change. This does not mean that a financial plan should be independent of the executive, for the financial plan is really one of the most essential means through which the executive is to exercise a real control over his administration. However, it does mean that some method must be worked out by which the head of a new administration is (before that administration begins) coordinated with the financial activities of the administration which is just ceasing to have authority.

This article seeks to emphasize certain things as essential:

(1) There must be a centralized and carefully coordinated executive administration.

(2) The executive is and will remain the chief spender of money, and must through its head have complete control over the financial program for executive expenditures, and must exercise that control so that its subordinates will not by lobbying or otherwise upset such a financial program.

(3) There must be a budgetary administration throughout the whole life of a budget, carried on by the same office which prepares the budget; in order that the financial program of the executive department may be lived up to, and in order that the

body finally passing upon and preparing the complete estimates may have information upon the basis of which to act intelligently.

(4) The legislative department must have sufficient information as to past expenditures and future proposed expenditures to pass intelligently upon all matters of financial policy, but for this purpose it will derive little aid from the details of accounting procedure involved in the actual payment of the government's bills.

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NATIONAL ECONOMY AND NEW EXPENDITURE¹

DR. ALBERT SHAW
Editor of *The American Review of Reviews*

IT is the chief function of the Academy of Political Science to analyze problems in a philosophical spirit and by scientific methods. The American people are more in need of aids to right thinking than of exhortations to support right courses of conduct. Everybody would support disarmament if it could be made clear just when to proceed and on what plans. Everybody would support expenditures for education and the improvement of the public health if it were made clear that great advantages would result, and that the plans by means of which these benefits could be obtained were the best that could be devised.

All public expenditures, like all private outlays, must come out of the aggregate income of the people, whether as individuals or as business corporations. Taking the broad view, the burden of taxation for public objects, like that of the expenditure for private needs, rests upon the whole people in their organized wealth-producing capacity. Inasmuch as the same hundred million people are citizens of the forty-eight states, of some thousands of counties and of still more thousands of cities, towns, villages and minor districts, it is more important for certain purposes of broad understanding to consider what the people obtain for the grand total of the money they pay in taxes than to consider whether the taxes are levied, collected and spent by municipal or local governments on the one hand, or by state and national governments on the other.

One sweeping generalization is obviously true: With our large population and more highly organized economic, social and political life, the average family obtains a considerably larger portion of the satisfaction of its wants and needs through collective action than in former periods. It follows that in the division of the gross national income a larger percentage goes

¹ Introductory address as presiding officer at the third session of the Academy meeting in New York City, May 23, 1921.

to purposes of public expenditure than in times when government was a far less active agent for communities and the general public than it has now become.

The fact, therefore, that public revenues have increased more rapidly than has the population, and that individual taxpayers must contribute to these public revenues a larger part of their income than formerly, should not be regarded as alarming in itself. The real question is, whether or not the public agencies which collect and spend so large a part of the gross national income are responding in an efficient way to intelligent demands for collective action.

Armies and navies involve very great national expenditure, and their object is to afford security for the normal and peaceful life of the entire people. At three or four times of emergency in our history, we have found ourselves spending far too little for these purposes of national defense, and have in consequence been precipitated into wars at terrible cost of life and treasure. Peace-time establishments for defense have never at any time in the history of the United States been even slightly burdensome, when compared with the value of the security that it is their purpose to afford.

If we had made due preparation in the years 1914, '15 and '16, viewing responsibly the world convulsions which menaced us, we should have saved the lives of many young men of many nations and also billions of dollars of the world's wealth.

The question, therefore, of the monetary cost of our navy and our army in this period immediately following the war is not vital. The real question before us is: What is to be the nature of our future security, and by what means can we best safeguard our own peace and help to maintain law and order elsewhere? The army should be as small as is compatible with the technical needs of a series of branches and services that have become very elaborate by reason of new kinds of warfare. There should be short enlistments, and the army should be educational along the new and hopeful lines that have already been undertaken. There should be, henceforth, a very extensive scheme of short-time military training for young men whose physical, mental and vocational development under army instruction can be made so valuable that the whole cost of the army may be justified and repaid by the increased efficiency of

hundreds of thousands of young men whose education is an army by-product.

Some of these educational possibilities also pertain to the navy as a training school; but naval preparedness is a topic that stands apart. One of the crying needs of the world is the acceptance of the doctrine that the high seas are a common possession, and that they are not to be used for the purpose of war between rival nations. Competitive navies must be abandoned, or else the strongest country must have the largest navy. Large naval expenditure by the United States, therefore, is to be regarded as a temporary device by means of which we may the better persuade all the naval powers to abandon completely the present harmful doctrines of naval supremacy, of relative naval rank, and of competitive armament.

The only possible doctrine is that of the abolition of naval warfare, and the guardianship of the common seas through co-operation. If Great Britain and the United States should adopt this view of unqualified cooperation in making the oceans safe for commerce and travel, they could easily persuade all other powers to agree with them. We could then cut our naval bills from half a billion dollars yearly to less than a tenth of that sum as our share toward the cooperative policing of the seas. After saving great sums by a project of international union of this kind for policing the seas, we could proceed in due time to unite with other powers in plans for greatly reducing the cost of land defenses.

If within a period of five or six years following the armistice we shall have made substantial progress toward international agreements for keeping the peace and toward practical disarmament, we may enter the more hopefully upon programs of expenditure for the positive welfare of our fellow citizens. We have greatly perfected certain of the instrumentalities of progress, and some of the advances have followed in the wake of war-time effort. Thus certain methods of eliminating tropical diseases were discovered and applied after our Spanish war, with notable results in Cuba and the Canal Zone. We still have before us immense undertakings for the improvement of the public health throughout this country, because we have not yet made thoroughgoing application of our scientific knowledge. Much of this work can and will be done through state

and local health departments; but there are large fields of endeavor which can best be occupied by the public health service of the national government.

Similar things are true with regard to education. We have standards of training for good citizenship, for economic efficiency, for social usefulness and for personal happiness. No form of public undertaking yields so much in valuable results as well devised systems of training for the business of life. Our efforts in the future must be intensive in the cultivation of the people, the restoration of agricultural and country life, and the re-making of communities. A government can do much by judicious expenditure to increase average prosperity, and thus to enlarge the bulk of annual wealth-production. Out of this enlarged bulk the community can, in turn, well afford to provide the government with all necessary sums for the support of policies which are in accord with the demands of an ever more elaborate civilization.

Obviously, the more extended the functions of government become, the more necessary it is to improve the machinery of government, casting aside what is obsolete, and giving scientific form to what remains. Fortunately, as students of political science, I think we may congratulate ourselves upon very decided progress in the efficiency and character of our public services during the life-time of this Academy.

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RETRENCHMENT IN NATIONAL EXPENDITURE

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I. The Evil of Government Expenditure

SECRETARY MELLON in his letter of April 30th to Congressman Fordney, Chairman of the Committee on Ways and Means of the House of Representatives, said:

Ordinary expenditures for the first three quarters of the fiscal year 1921 have been \$3,783,771,996.74, or at the rate of about \$5,000,000,000 for the year. . . . According to the latest estimates of the spending departments, . . . ordinary expenditures during the fiscal year 1922, including interest on the public debt, will be over \$4,000,000,000.

The Nation can not continue to spend at this shocking rate. As the President said in his message, the burden is unbearable, and there are two avenues of relief, "One is rigid resistance in appropriation and the other is the utmost economy in administration."

Why should there be retrenchment in public expenditure? Why does the Secretary of the Treasury speak of current and estimated expenditures as shocking? What is the evil that we are discussing and what is its effect?

Government expenditures must be met from taxes. To the extent that they are met promptly from taxes and from honest taxes directly laid upon the incomes of the people, and in proportion to those incomes, exaggeration of the evil of government expenditure is avoided. But the evil itself cannot be avoided. Government expenditure takes the money of all the people for the supposed benefit of a portion of the people, honestly or dishonestly, equally or unequally, avowedly by direct taxation, or surreptitiously by the indirect taxation which results from inflation of currency and credit and of the public debt. Government expenditure takes the fruits of the earth and the labor of the people and diverts them from the productive and reproductive enterprises of men, from the natural enjoyment of the men who by their prudence, foresight and effort created the wealth or made it available, to the sometimes benevolent and sometimes belligerent, but al-

most always economically wasteful, purposes of government. Government exploits all of us for the benefit, or supposed benefit, of some of us. Yielding to the vague aspirations of men for a better world or a better distribution of the good things of this earth, government imposes upon all of us ever-increasing burdens in the effort to benefit vociferous and organized minorities.

The government is to give every man a pension, and every man an office, and every man a tax to raise the price of his product, and to clean out every man's creek for him, and to buy all his unsalable property, and to provide him with plenty of currency to pay his debts, and to educate his children, and to give him the use of a library and a park and a museum and a gallery of pictures. On every side the doors of waste and extravagance stand open; and spend, squander, plunder, and grab are the watchwords.

Who pays for it all? The system of plundering each other soon destroys all that it deals with. It produces nothing. Wealth comes only from production, and all that the wrangling grabbers, loafers, and jobbers get to deal with comes from somebody's toil and sacrifice. Who, then, is he who provides it all? Go and find him and you will have once more before you the Forgotten Man. You will find him hard at work because he has a great many to support. Nature has done a great deal for him in giving him a fertile soil and an excellent climate and he wonders why it is that, after all, his scale of comfort is so moderate. He has to get out of the soil enough to pay all his taxes, and that means the cost of all the jobs and the fund for all the plunder. The Forgotten Man is delving away in patient industry, supporting his family, paying his taxes, casting his vote, supporting the church and the school, reading his newspaper, and cheering for the politician of his admiration, but he is the only one for whom there is no provision in the great scramble and the big divide.

These words were spoken in 1883 by William Graham Sumner, a great sociologist, economist and teacher, who left the impress of his thought and personality upon generations of Yale men.¹ His words are true now as they were 40 years ago, but the evil has been multiplied ten-fold.

II. *The Lesson of History*

During the hundred years preceding the great war Europe had been indulging progressively in unsound economic policies. Government ownership of railroads and public utilities, old age pensions, shipping subsidies and preparedness for war, bur-

¹ "The Forgotten Man and Other Essays," Yale University Press.

dened the populations of the old world with a tax-load so great that the only hope for the continental belligerents lay in a brief war of conquest which should render available to the victor the resources of the vanquished. But the war was so long, and the economic burdens which preceded and resulted from the war were so great, that the available resources of both victor and vanquished were exhausted and victory itself was only less disastrous than defeat.

Writing about the situation in Europe *in 1903*, Professor Sumner said:

Never, from the day of barbarism down to our own time, has every man in a society been a soldier until now; and the armaments of today are immensely more costly than ever before. There is only one limit possible to the war preparation of a modern European state; that is, the last man and the last dollar it can control. What will come of the mixture of sentimental social philosophy and warlike policy? There is only one thing rationally to be expected, and that is a frightful effusion of blood in revolution and war during the century now opening. . . .

At the beginning of the twentieth century the great civilized nations are making haste, in the utmost jealousy of each other, to seize upon all the outlying parts of the globe; they are vying with each other in the construction of navies by which each may defend its share against the others. What will happen? As they are preparing for war they certainly will have war. . . .

War, in the future will be the clash of policies of national vanity and selfishness when they cross each other's path. . . .

What has just been said suggests a consideration of the popular saying, "In time of peace prepare for war." If you prepare a big army and navy and are all ready for war, it will be easy to go to war; the military and naval men will have a lot of new machines and they will be eager to see what they can do with them. There is no such thing nowadays as a state of readiness for war. It is a chimera, and the nations which pursue it are falling into an abyss of wasted energy and wealth. When the army is supplied with the latest and best rifles, someone invents a new field gun; then the artillery must be provided with that before we are ready. By the time we get the new gun, somebody has invented a new rifle and our rival nation is getting that; therefore we must have it, or one a little better. It takes two or three years and several millions to do that. In the meantime somebody proposes a more effective organization which must be introduced; signals, balloons, dogs, bicycles, and every other device and invention must be added, and men must be trained to use them all. There is no state of readiness for war; the notion calls for never-ending sacrifices. It is a fallacy. It is evident that to pursue such a notion with any idea of realizing it would absorb all the resources and activity of the state; this the great European states are now proving by experiment.¹

¹ "War and Other Essays," Yale University Press.

These were Sumner's prophetic words written ten years before the outbreak of the great war.

During the same hundred years America remained relatively aloof from socialistic experimentation and from war preparation. So America remained the land of opportunity. With great natural resources, underpopulated, bounded on the north by Canada and protected along that vast frontier not by fortifications but by an agreement to have none, bounded on the south by Mexico and protected along that frontier by the weakness of its neighbor, bounded on the east and west by the Atlantic and Pacific Oceans and protected by them, blessed by a Constitution devised in distrust of governments, with deliberate intent to hobble the power of that Federal Government which it created, America was the happy and prosperous home of the descendants of the pilgrims who came here 300 years ago and the promised land of those who were borne down by the intolerable economic and social conditions of Nineteenth Century Europe.

In the great war the decision rested with the men and the resources of the new world. The Allies were able, with the aid of the untaxed and untrained manhood and wealth of Great Britain's overseas empire, to hold the field until America entered the fray, and then our unmortgaged resources and the splendid armies we created from a citizenship whose spirit had not been broken nor its physique undermined by military or economic servitude, broke the deadlock. The victory left both victor and vanquished in continental Europe in acute distress, impaired the power for good or ill of our other associates in the war, Great Britain and Japan, and made the United States, though absolutely poorer no doubt, yet relatively richer and stronger than she was before the war, and indeed by all odds the richest, strongest and most fortunate of the nations of the earth.

III. *What and Why We Spend*

What have we learned from European history? What advantage have we taken of this unique position? None at all. Though before the war the Government of the United States spent about \$1,000,000,000 a year for all purposes, including interest on the public debt, in the fiscal year ended June 30,

1920, the first full fiscal year after fighting stopped, the Government spent \$6,400,000,000; in the fiscal year 1921 it will spend \$5,000,000,000;¹ and in the fiscal year 1922 it will spend more than \$4,000,000,000, says Secretary Mellon. These figures include interest on the public debt, which amounts to about \$1,000,000,000, but include nothing for sinking fund or other debt redemption. Excluding both interest and sinking fund, the government will spend more than four times as much this fiscal year, and more than three times as much next fiscal year, as it spent before the war. Why should victory impose these heavy charges upon the victor? Are these expenditures wise and necessary? What can be done to curtail them? How does it happen that, though successive Presidents and Secretaries of the Treasury argue and plead for economy, even demand it, and the people clamor for it, yet there is no economy?

Each of the executive departments is concerned to improve its service and to discover new and useful fields of service. The entire organization of the Army, of the Navy, of each of the departments, independent offices and agencies of the Government, is devoted to an important task. Its particular function seems of vital usefulness, even necessity. Experts in each are alive to its defects and to the opportunities for usefulness which have not been availed of. The secretary, or other head of the department, drawn from private life, perhaps wholly ignorant at the outset of the nature and extent of its problems, promptly becomes the advocate of the policies and demands of his permanent assistants and bureau chiefs. If he does not become such advocate, he may break down the morale of his organization and possibly lose the confidence of his personnel. If he vetoes their demands for appropriations, he must assume sole personal responsibility for any failure of his department to meet the needs of the situation. If he accepts their estimates and submits them to Congress, Congress must take the responsibility of granting or rejecting them.

In Congress, the work is done in committees, and the only committees familiar with the problem are those specially created for the purpose, the Committee on Military Affairs for the War Department, the Committee on Naval Affairs for the Navy Department, etc., etc. These committees soon become special advocates of the departments whose affairs are committed to

¹ It did spend \$5,115,927,689.30.

their charge, following the natural human instinct to magnify the importance of the work in which they are engaged.

Behind it all is the pressure of organized interests in the constituencies, which are the beneficiaries of specific expenditures, operating upon politicians, executive departments, Senators and Congressmen. The strident voice of greed is heard in the market place and in legislative halls; the voice of the people is barely audible. The glamour of a magnificent or beneficent undertaking helps to silence the outcry which might otherwise be raised on behalf of the general public. The fact that each project is considered separately, without reference, either in executive departments or Congress, to ways and means of financing it, prevents concentration of popular opinion on the awful total. All agree that there must be economy, but as each item is presented all seemingly agree that that is not the proper field for economy. There must be economy, but there must be a merchant marine, whatever the cost. There must be economy, but the government must pay high wages to railroad employees and furnish transportation on the railroads at less than cost. There must be economy, but the world-war soldiers must have their bonus. There must be economy, but Civil War pensions must be increased. There must be economy, but we must prepare for war, regardless of expense.

IV. *The Budget*

It looks as though we should have a budget pretty soon. It will be of some help, and it is important that we should have it. The budget bill which Congress once passed and which is now in conference is a step in the right direction, but it has grave shortcomings.¹ A budget to be really effective should set out all the expenditures to be made by the government for the ensuing year and the revenues to meet them. The point is to concentrate attention at one time each year upon the aggregate of expenditure and the means of meeting it. The proposed budget legislation does not accomplish this, because it leaves Congress free, and through Congress the Executive, to initiate appropriations outside the budget at intervals during the year, and to authorize expenditures which need never appear in the budget, or in any appropriation at all, by the device

¹ This bill became law June 10, 1921.

of revolving funds, reimbursable appropriations, indefinite appropriations and government-controlled corporations.

The Constitution of the United States provides that "no money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time." In the desire of Congress to authorize the disbursement of government funds and at the same time to make a record for economy, the devices mentioned have been used to exploit the public treasury without making a record of appropriation; and in consequence of these devices it has been impossible for the Treasury to make a true statement of the accounts.¹ Since the Constitution requires that no money shall be *drawn from the Treasury* without an appropriation, Congress authorizes spending departments and agencies to *withhold from the Treasury* the proceeds of the sale and use of government property and to spend them again.

Though the constitutional requirement that no money shall be drawn from the Treasury without an appropriation is thus successfully evaded, the constitutional requirement that a regular statement and account of receipts and expenditures shall be published is at the same time made impossible of performance. The Treasury does not correctly state the receipts or expenditures of the government of the United States, for the reason that it has no means of obtaining correct current information concerning the amount of receipts from the sale and use of government property or the disposition of such receipts. I do not think any government officer knows what is the aggregate amount of the receipts from the sale and use of government property during and since the war, nor to what extent the

¹ The Treasury does what it can to avoid misleading the public by printing the following on its monthly statements of classified expenditures of the government: "Note.—Because of legislation establishing revolving funds and providing for the reimbursement of appropriations, commented upon in the annual report of the Secretary of the Treasury for the fiscal year 1919, p. 126, ff., the gross expenditures in the case of some departments and agencies, notably the War Department, the Railroad Administration, and the Shipping Board, have been considerably larger than above stated. This statement does not include expenditures on account of the Postal Service other than salaries and expenses of the Post Office Department in Washington, postal deficiencies, and items appropriated by Congress payable from the general fund of the Treasury."

Treasury statements of receipts and expenditures have been unavoidably falsified in consequence of the action of Congress in authorizing the withholding from the Treasury of these moneys and their use without an appropriation. I should be very much surprised if the aggregate amount received by the War Department and the Navy Department from the sale of war munitions and supplies, etc., and by the Shipping Board from the sale and chartering of ships and property, and diverted to other purposes without passing through the Treasury, did not run well into ten figures. Mr. Gilbert,¹ the present Fiscal Assistant Secretary of the Treasury, my able successor, in an address in February last said :

The estimates for the current year, for example, show that over a billion dollars of expenditures were authorized by the last session of Congress in addition to the amount shown in the usual compiled statements of appropriations. In fact, the practice has reached such proportions as to be almost a national scandal, and it was vigorously denounced in the President's last annual message. It has become the first principle of strategy on the part of people interested in appropriations for various special purposes to frame the matter so as to authorize the use of the public funds indirectly, or in indefinite terms, or by authorization for expenditure of unexpended balances, perhaps appropriated originally for other purposes, or by authorizations to divert government receipts before they ever reach the Treasury. Efforts are made to find general words which do not speak in terms of appropriations and cannot be readily calculated. The last session of the present Congress, for example, authorized additional expenditures out of balances of prior appropriations and from receipts to the amount of over \$500,000,000, including over \$400,000,000 for the Shipping Board. The present session of Congress by similar procedure takes credit for refusing appropriations for the Shipping Board but, at the same time, proposes to authorize the expenditure of receipts in amounts that may reach as high as \$200,000,000. By the indefinite appropriation for the railroad guaranty about \$650,000,000 was in effect appropriated without appearing in any of the statements of appropriations.²

Though the pending budget bill is a step in the right direction, the following are the fundamental principles of sound budget and audit legislation and should not be forgotten :

- (1) All expenditures should be authorized at one time, and the taxes to meet them should be provided at the same time.
- (2) No appropriations should be asked or estimates sub-

¹ Now The Under-Secretary of the Treasury.

² See also Secretary Glass's *Annual Report*, 1919, pp. 126-132.

mitted by the Administration without examination and report as to ways and means by the Secretary of the Treasury, the member of the Administration charged with the responsibility of financing them, or, if he disapproves, the approval of the President after hearing his objections; and in the latter case it should be the duty of the President himself to point out ways and means.

(3) No estimates should be approved or appropriations made by Congress without examination and report as to ways and means by the Ways and Means Committee of the House and the Finance Committee of the Senate, the committees of those Houses severally charged with responsibility for revenue bills.

(4) No expenditures should be authorized without an appropriation. Executive departments and agencies of the government should be required to turn into the Treasury every dollar received from the sale or operation of government property and to obtain specific appropriations for every dollar to be spent.

(5) The practices of making indefinite appropriations as in the Transportation Act, 1920; and of granting subsidies, without an appropriation, by the device of tax exemption, as in the Merchant Marine Act, 1920, should be prohibited.

(6) There should be a prompt field audit, not directed merely, as at present, to discovering, long after the fact, whether there has been actual misappropriation of government money, but directed also to discovering whether there has been inefficiency, duplication or waste. This audit should be conducted by permanent officials free from the interference of changing administrations or congressional majorities or committees.

V. *Where the Money Goes*

The money certainly does not go to overpaying government employees. On the contrary, there is urgent need for higher pay and a greater number of supervisory employees. The instinct of Congress, whenever the work of a department falls so far behind as to receive their consideration, is to authorize the addition of a large number of low-paid employees. This is very much more expensive for the government, both in the matter of pay-roll and also in the matter of providing space and materials and equipment for them, than would be the

employment of supervisory employees clever enough to devise economies of time and method which would make additional subordinate employees unnecessary. The present method prevents the employment of one \$10,000 man whose skill and ingenuity in effecting economies and expediting the work under his direction might render unnecessary the employment of five hundred \$1,000 men, not to mention the space, material and equipment which they use. Congress is penny-wise and pound foolish!

But important as it is to have a sound budget and audit system, and to effect any possible economies in administration, no well informed person believes that these could possibly reduce expenditures by more than one or two per cent. They may stop some relatively unimportant leaks but the bung-hole is open—wide open. Assistant Secretary Gilbert in his speech before referred to said:

There has been much idle talk to the effect that the excessive cost of government is due to inefficiency and extravagance in the executive departments. Without doubt, there has been waste and inefficiency in the various government departments and establishments, and much can be accomplished, and has already been accomplished, by the introduction of efficient and economic methods of administration and the elimination of duplication and unnecessary work. It might well be possible to save as much as \$50,000,000 or \$100,000,000 by careful and scientific reorganization of the government's business. It is futile, however, to expect that any reorganization of government departments will effect a relatively substantial reduction of expenditures.

The figures show that over 90 per cent of the total annual expenditures of the government are related to war. Out of total expenditures during 1920 of about \$6,400,000,000, about 5¾ billions represented expenditures directly traceable to the war, to past wars, or to preparedness for future wars. Of these, about \$2,500,000,000 went for the Army and Navy, over 500,000,000 for the Shipping Board, over \$1,000,000,000 for the railroads, another \$1,000,000,000 for interest on the public debt, almost \$500,000,000 for purchase of obligations of foreign governments on account of their war expenditures, and the remainder for pensions, war risk allotments, and miscellaneous items related to war. An analysis of the expenditures for the first six months of the current fiscal year gives similar results. The figures also show that the total cost of running what may be termed the civil establishment proper, that is to say, the various government departments, boards and commissions and the Legislative establishment, have not much exceeded \$250,000,000 even in the abnormal war years.

Let us consider in some detail the principal items of government expenditure.

Merchant Marine. The government expenditure of some
(495)

billions on ships and shipyards has resulted in no return whatever to the Treasury. The proceeds of sale and operation (including operations during the period when there was a shortage of ships and freight rates were inordinately high) have been devoted to new construction or to meeting operating deficits. So the official figures for the post-armistice period, which show expenditures by the Shipping Board for the fiscal year 1920 of only \$530,000,000
 for 1921 (partly estimated) of 100,000,000
 and for 1922 (estimated) of 125,000,000

or a total of \$755,000,000
 grossly understate them.¹

We made up our minds to have a merchant marine at any cost and to create ports and trade routes where there were none. Ships were set sailing from ports and over routes which were not justified by business demand. If the business had been there, private capital would have been found to supply the need. The business was not there, so the government stepped in and provided transportation for fortunate shippers over unprofitable routes and made seaports of places which had harbors but no business—at the expense of the taxpayers. After armistice the government went on building ships at war costs of labor and materials, using the taxpayers' money to create tonnage. It created a vast tonnage in the effort to make a well-balanced fleet, whatever that may mean, with the result that, after the effect of war and post-armistice inflation had disappeared, the surplus tonnage, created with the taxpayers' money, greatly aggravated the depression in the shipping business, and tens of millions of dollars worth of hulls are grinding themselves to pieces. If we want a merchant marine, we shall have it. A little matter of expense to a hundred million

¹ Mr. Lasker, the new Chairman of the Shipping Board, in a refreshingly frank statement published in the *New York Times* and other papers on July 19, 1921, estimated the expenditures of the Shipping Board for the fiscal year ended June 30, 1921, alone at \$680,000,000, of which \$200,000,000 he estimated was derived from the sale of ships and other capital assets and \$300,000,000 from the operation of ships. He condemned in no measured terms the accounting methods which I have criticised and promised to put an end to them. He estimated, however, that he would have to ask Congress for \$300,000,000 for the fiscal year 1922.

people will not stand in their way. And the voices of Senators and Congressmen from the places where shipyards are owned by the government, and from seaports created by executive fiat, and from districts benefited by the maintenance of artificial and uneconomic trade routes, are lifted in support of the program of waste.

But in the long run, after billions have been wasted, economic law will have its way. Uncle Sam will grow tired of maintaining a merchant marine which costs more than it is worth. American exporters are interested in having their goods shipped as cheaply as possible to foreign ports, so that they may compete as favorably as possible with foreign goods. American workmen will not sail the high seas if they can get good jobs at home for the same pay. Ships for serving foreign trade will be built in the countries where the cost of construction is lowest, they will be manned by seamen drawn from the countries where opportunity for profitable employment at home is not ample.

We had our great day on the high seas before the Civil War. We could compete with any in building wooden ships, and, before the great development of the nineteenth century had opened up this vast continent for exploitation, the life of the pioneers on the eastern seaboard was not so easy but what they were glad to take to the life of the sea. Stern nature drove our American pioneers to the sea, drove Norsemen to the sea, and drove Dutchmen to the sea. Over-population and concentrated land-holdings drove Englishmen to the sea. Since the Civil War a rich continent to exploit and ample facilities for its exploitation, have kept Americans at home; while the substitution of steel ship construction, and high prices for the American product, made possible by protection, have kept us out of shipbuilding. It costs more to build American ships and it costs more to man them with Americans. American built and manned ships cannot be run in competition with foreign ships except at a loss. Do we want our own merchant marine badly enough to be willing to accept that loss and throw the burden on the taxpayers?

Before the war we had a "favorable" balance of trade, that is to say, our visible exports exceeded our visible imports. This favorable balance was greatly increased during the war

and the early post-armistice period. The over-populated old world needs our goods. Fertile America should produce more than she consumes. She must do so, or leave the world's war problem to be solved by shifting the balance of population from the old world to the new by the processes, now in operation, of starvation and emigration. The pre-war balance of trade in our favor was taken care of by Europe's "invisible" credits: interest charges due from America to the old world, freight and insurance charges, banking charges, immigrants' remittances, travellers' expenditures, etc., etc. We cannot sell everything and buy nothing. We must leave our customers some means of payment. The international account must be balanced, if not in goods, then in services and remittances. Because we have had and should have a "favorable" trade balance, having a surplus and Europe a deficiency of food and raw materials, because we have since the war become the world's creditor, the inexorable logic of the situation demands that Europe make payment for her purchases increasingly in services. So Europe will be able to underbid us in the matter of freights.

Railroads. When the government took over the railroads in wartime it did a very good job in moving men and munitions, which the railroads under private management through no fault of theirs had failed to do. But after the armistice, the government blundered greatly in its handling of the railroad problem. In the fiscal year 1920, including some \$300,000,000 of Certificates of Indebtedness issued towards the end of the fiscal year 1919 and paid in the fiscal year 1920, the government spent on the

railroads upwards of	\$1,000,000,000
Secretary Mellon estimates that in the fiscal	
year 1921 it will spend	800,000,000 ¹
and in the fiscal year 1922	550,000,000

making a total of \$2,350,000,000
or nearly as much as the government's entire floating debt today, spent on the railroads after armistice was signed. There was no reason why the railroads should not have been made to

¹ Actual \$730,711,698.98, plus \$65,575,832.03 resulting from settlement with Post Office department.

pay for themselves under government control. Higher rates would have exercised a healthy check upon inordinate demands for transportation through the period of post-armistice inflation. Artificially low rates exaggerated the congestion on the railroads during that inflation period. Goods were brought from more remote points which should have been consumed at or nearer home. Goods were moved by rail which should have been moved by water or by truck. The resulting congestion on the railroads caused delay in the receipt of goods by the consumer and consequently in payment. Credit was inflated because of the congestion on the railroads and inflated again by the increase in the public debt to meet the railroad deficit. This inflation was an important factor in the rapid increase of prices in 1919 and early 1920.

It was characteristic of government's muddling in business that the government waited until the inflation boom was over in the summer of 1920 to increase railroad rates. Higher rates during the inflation period would have been a source of profit to the railroads, would have saved the Federal Treasury from all outlay, and would have exercised a healthy check upon the inflation itself. During the inflation period railroad transportation was in under-supply and over-demand. If the law of supply and demand had been given free play railroad rates would have risen promptly, and the very rise in rates would have tended to redress the balance. The heavy hand of government sought, effectively for a time, to prevent the operation of that law. It was not until the inflation boom was over and the chance for the railroads to make money out of high rates disappeared, that the government increased rates. But it increased wages too with a lavish hand. The rates were unproductive of revenue because the business was not there. The wages had to be paid. Now the market for transportation is like the market for anything else. You must take advantage promptly of your opportunities, charge high rates when the demand exceeds the supply and be in a position to reduce rates in the effort to stimulate or at least sustain business when the demand falls off. The government's interference in the railroad situation exaggerated the inflation of the post-armistice period and exaggerated the depression which set in during the summer of 1920. Railroad rates were too low when business

was booming and rates and wages both too high when business was falling.

The credit of the railroads themselves was impaired by running them at a loss. The basis of railroad credit was, of course, their earning power. The investor found small comfort, against the actuality of railroad deficits, in the government's guaranty, which he knew must come to an end. Consequently the weaker roads could not borrow at all, except from the government, the stronger could borrow only upon exorbitant terms, and none whatever could sell shares of stock. The railroads of the country will not again be in a sound financial position until they have earnings sufficient to enable them to pay dividends at rates so high as to make their stocks worth par or more. When they can do that, and they can by the sale of additional stock obtain a fair proportion of their capital requirements in that manner, the railroads will be in good shape. Broadly speaking, the railroads of the country are over-bonded and under-stocked.

What is the explanation of this almost unbelievable blunder in the government's management of the railroads? The government's course in the period in question was determined at one stage or another by the Railroad Administration, Congress and the Interstate Commerce Commission, by Democrats and by Republicans. They proceeded in good faith and with the best intentions. At the root of the mistake are to be found two things: first an error of judgment as to the economic consequence of furnishing transportation at less than cost. Undoubtedly the government believed that an increase in railroad rates would result in an increase in the cost of living, though the reverse was the fact. In the second place, the highly organized shippers of the country were an enormously powerful body and exerted their influence to keep rates down for their own profit.

When the consequences of this policy became apparent and the railroads were about to be returned to private ownership, savings banks and other railroad security holders, who were highly organized, presented their demand for protection to Congress forcibly and effectively. The trunk-line railroads were highly organized and presented to Congress their demand that the railroads be returned in at least as good condition as that in which they were taken over. Both of these claims had

merit. The trunk-line railroads having established their claim to be indemnified for the consequences of government control during the war and after, the short line railroads, also highly organized, presented their claim to be indemnified for *not* having been taken over during the war. And the public pays in inflation of the public debt, in congestion of traffic, in inflation of currency and credit, and finally in taxes.

War. Of the \$4,000,000,000, exclusive of interest on the public debt, to be spent in the fiscal year 1921, \$1,025,000,000¹ will be spent by the War Department, \$700,000,000² by the Navy Department, \$800,000,000 on the railroads, \$230,000,000 by the Bureau of War Risk Insurance, and \$325,000,000³ by the Interior Department, mostly, I take it, for Civil War and Spanish War pensions—a total of \$3,080,000,000 under these heads.

In the fiscal year 1920 the War Department	
spent	\$1,610,000,000
the Navy Department	740,000,000
<hr/>	
a total of	\$2,350,000,000
Secretary Mellon estimates that in the fiscal year 1921 the War Department will spend ...	\$1,025,000,000
and the Navy Department	700,000,000
<hr/>	
a total of	\$1,725,000,000
and that in the fiscal year 1922 the War Department will spend	\$ 570,000,000
and the Navy Department	545,000,000
<hr/>	
a total of	\$1,115,000,000
3 years total	5,190,000,000

Germany went to war to realize on her investment in arms and armies. The burden of universal military service, expenditures on the army and navy, subsidies and doles, became intolerable. She thought she would repeat the exploit of 1870 and make war so profitable in territory and indemnities as to recoup herself for the outlay of 40 years preparation. The splendid resistance of the Belgians and the French and of the little British expeditionary force made the short war a futile

¹ Actual \$1,101,615,013.32.

² Actual \$650,373,835.58.

³ Actual \$357,814,897.01.

dream. The untrained manhood and unmortgaged resources of the western world, of the British empire overseas, and finally of America, determined the issue. Germany suffered economic collapse, though her armies, beaten but not routed, were still on enemy soil. So Germany's military preparedness was her cause for making war and was the cause of her defeat. In the issue, it was economic preparedness that mattered most.

Today men, women and little children are starving to death in Europe because of the war's horrible waste and because of the still more horrible waste of after the war. Two years and a half after armistice, nearly two years after peace was concluded between Germany and the Allies, millions of men are under arms, eating and wearing the produce of the fields and of the labor of a civilian population which must bear the load of taxes and inflation necessary to maintain those armies in economic idleness. The peoples of continental Europe are staggering under the load of armaments, far too great before the war and intolerable now. Their rulers hold themselves in power by subsidies and doles, by playing, now on their fears, again on their avarice, still again on nationalistic ambitions or ancient racial hatreds. The Allies have undertaken to insure Germany's economic recovery by insisting upon her disarmament and the payment of reparations which means the development of a huge export balance; but for themselves they reserve the doubtful privilege of remaining armed to the teeth. America, protected by the high seas from every formidable foe, rattles her sabre as the Prussians used to do, demands a navy second to none, talks of universal military training, asserts that she will have her rights, though no one challenges them, thunders for the open door and plays dog in the manger in South America in the name of President James Monroe.

We have demonstrated our military power. We have shown what may be done in a few short months to make an army and transport it to wage a foreign war. We have no need to be aggressors abroad, we are invulnerable at home. Let us accept the responsibilities of the position of leadership which is ours, show the world how to beat swords into plow-shares, relieve the peoples of the world of apprehension and lead them back into the ways of peace and plenty. If we prepare for war we shall have it. If we lead the world in preparation for peace we may have that.

DISARMAMENT—THE ECONOMIC BASIS OF A RECONSTRUCTED WORLD

EDGAR B. DAVIS

IT is not without considerable trepidation that I come before you to present certain features of the practical economic phases of disarmament, from the viewpoint of a business man.

Apart from the economic situation, however, it would seem that on humane grounds alone, the attention of the world should be focused on the imperative necessity of ending war.

With nearly 10,000,000 men killed, and 20,000,000 wounded—many of whom are maimed for life; with warfare waged on a basis calculated to destroy by wholesale starvation the civilian population of the belligerents; with epidemics raging; with death-dealing devices (utilized in sea, air and earth) of hitherto unknown destructibility, does it seem that any human being could support such an inhuman method as war, for the settlement of international disputes?

Now, still more deadly weapons have been invented and poisonous gases, capable of wiping out whole populations have been discovered, to say nothing of the new and horrible possibilities of epidemic-creating bacteria. Does it not seem that the united thought of the world should be directed to prevent a recurrence of such appalling human and economic waste as war?

If the awful loss sustained in the World War is not enough to arouse us to put an end to war, what must be the price of our ultimate awakening?

Professor Bogart's estimates place the direct and indirect cost of the World War at the bewildering figure of over \$337,000,000,000—a sum nearly equal to the combined pre-war wealth of England, France, Germany and Russia.

If an earthquake had swallowed up a large part of Europe, but the population had been saved with the exception of 10,000,000 men, a situation would have been created—weighed in destructive power—somewhat analogous to that presented by

the enormous waste of the accumulated human energy which we call capital. Or, imagine a large part of the United States being snuffed out of existence in the twinkling of an eye. Such has been the destruction of property values—the accumulation of decades, possibly a century, of toil.

True, we dug out the eyes of our country and passed through a period of hectic prosperity, if the economic bat—the great industrial drunk founded upon the sale of our resources to a stricken world—properly can be called prosperity. Anyway, we now are going through the morning after the night before, for war merely shuffles the wealth. It does not create it.

Now let us give rein to our imagination for a moment. Three hundred and thirty-seven billions! Suppose that before the war it had been possible to arouse the same enthusiasm in money raising for economic purposes and that the nations of the world had agreed to utilize this colossal sum for constructive benefit—what might have been accomplished?

The railway system in the United States represents an aggregate investment of about \$20,000,000,000. What would have happened to the world, industrially, if railway systems commensurate with that of this country, had been built in Russia, China, India, and Africa, making available the marvelous resources of those countries to the commerce of the world? Yet for the sum expended in the war, these railway systems might have been built and more than \$200,000,000,000 remained available for the development of the natural resources of these and other countries, in addition to the capital requirements in our own land. Is it conceivable that our industries now could be depressed if this money had been put to productive uses instead of being used for destructive purposes? Can any one for a moment doubt that already we would be in a prosperity so great and permanent that compared with it, the sky-rocket prosperity of the War would seem fleeting and unreal?

However, that possibility is water over the dam and the world today finds itself in the position of a manufacturer who has borrowed practically to the extent of his resources to build new factories and who then finds that he has no working capital with which to operate the factories he has built. Yet, while the world is undergoing a period of economic convalescence, how can the knowledge, secured at such awful cost, be utilized to lay the foundations for a better and more prosperous world?

Practically all economists agree that wars—even wars of dynastic or autocratic ambition—have an economic basis. But shall we continue in such an uneconomic occupation as to destroy many times faster than we can build? What can we offer the peoples of the world in place of the wholesale murder game called war?

The various nations spent for armaments last year, about \$7,000,000,000. For the purposes of this article, a rough estimate has been made that the upkeep of an international police force to maintain law and order throughout the world would cost \$1,000,000,000 annually. Hence, if the peoples of the world were to agree on disarmament, a saving of \$6,000,000,000 would have been made last year—and, although world figures are unobtainable now for the present year, the saving approximately would be the same. Let us suppose that this last sum thus saved were released for constructive purposes; for necessary improvements in our own country; to restore the purchasing power of Europe; to increase that of South America; to develop China, Russia, India, and Africa. Consider how a proper transportation system in these various countries would vivify great masses of human energy which, for want of transportation facilities, now lies relatively dormant. What a wonderful thing we could be doing for America?

A little while ago, Great Britain, France, Japan and the United States consorted together in a loan to China of £5,000,000, while lately *one* of our railway systems, the Pennsylvania, put out \$60,000,000 of notes in one issue, while the still more recent Burlington financing totaled \$230,000,000. China, with her immense population, has but 7,000 miles of railway, notwithstanding her area is considerably greater than that of this country.

Some one has estimated the purchasing power of China as 7% of that of the United States. As there are four Chinamen for every American, this really means that the average American can spend a dollar while the average Chinaman can spend only $1\frac{3}{4}$ cents. Lafcadio Hearn said "the East can underlive the West". He does underlive the West. He is forced to do so. Nevertheless, whenever the Chinaman acquires purchasing power, he also acquires the spending desire. He evidences his prosperity by purchasing good food, good clothing,

good furniture for his home—even motor cars. Hundreds of motor cars of American manufacture are to be found on the good roads of the Malay Peninsula, usually filled with Chinamen.

What then does this mean to America? It means that the workmen in our automobile plants are engaged. It means that the workmen making steel for and the accessories to the motor car gainfully are employed. It means that the workmen in our rubber tire manufactories are employed. It means that these workmen may buy the products of the farm, shoes, clothing, and household goods. In short, it means cumulative activity throughout the whole industrial cycle—so that every one in America profits directly or indirectly by the ability of these Chinamen to purchase American merchandise.

China is used as an illustration, but what is true of China is true also of India, Russia, the East Indies, and the other great populations whose social economic values only slightly are realized. When consideration is given to the fact that more than *half of the population of the world* exists—for it is bare existence—on an average of less than ten cents a day, we can form some idea of the possibilities of producing wealth if this vast store of human energy were helped into well-directed economic activity.

Capital now expended in war preparation is needed—primarily for transportation. Imagine what the opening up of China with her immense resources would mean! Think what another shirt for every Chinaman—or our share of the business—would mean to the cotton manufacturer, to the Southern cotton grower, and what the prosperity of the South would do for the farmers of the West, the fruit-growers of the Pacific Coast, and the manufacturers of the North—to all the members of the productive industrial cycle!

Saving the starving in other lands is a wonderful, noble, and necessary work. Nevertheless, viewed economically, it is first aid work. Is not the effort which will have most permanent benefit, that which brings about conditions making it possible in future for these destitute peoples to produce wealth? Then there should be no starvation.

A philosopher has said that he could make a man refuse \$1,000—by offering him the choice of \$1,000 in one hand, or

\$10,000 in the other, in that he repudiates the lesser for the greater.

China reports the value of imports from the United States in 1919 as 110,000,000 taels or, at the prevailing rate of exchange during that year, about \$153,000,000 U. S. gold. China also imported from Japan merchandise valued at 247,000,000 taels in that year—or the equivalent of \$343,000,000 U. S. gold. Assuming an average profit of, say 10% on the turnover, the American and Japanese producers made total profits respectively of \$15,300,000 and the equivalent of \$34,300,000 U. S. gold. However, to *protect* these accounts against foreign aggression, the respective governments now are expending sums for armaments far exceeding the individual profits to be derived from China as a national account. What business house could pay for *insurance* more than the total amount received for his goods and survive? Yet that, economically, is what we are doing when we maintain armaments to *protect our trade*.

On the other hand, were a part of the money saved by disarmament invested by the United States and Japan in a *free China* to increase the purchasing power of the Chinese, what a tremendous economic benefit naturally would accrue to America and Japan!

The philosopher's \$10,000 is the development internationally of great national accounts. Japan and America must get their eyes upon the \$10,000 of economic development and they will refuse the \$1,000 of war. The policy of extending credits to develop accounts is familiar to every banker and manufacturer in this country. It is the method by which business has been developed in the past. It is not philanthropy. It is the wisest and best thing economically that the nations can do—a policy of intelligent selfishness.

The president of one of our great universities recently said, "National and International relations have become interdependent." America cannot expect prosperity permanently if the countries of Europe and Asia are not prosperous.

We must get the point of view that we are an industrial unit of 105,000,000 people happily and profitably to be employed; that England similarly is a unit of 46,000,000; that France, Germany, Japan, Italy, Russia are great populations to be em-

ployed; that we are an inter-dependent world, economically, and that if one member suffers, all suffer.

It was the Rising Sun of Japan, through the silk panic on the Tokio stock exchange, that first shed light upon the post-war depression from which we just are beginning to emerge. Fancy an economic disturbance manifesting itself in Japan, and in the silk business—of all industries!

One result of America's participation in the war has been the gearing up of our secondary productive capacity—or manufacturing power—to such an abnormal point that, when business becomes normal, we still will be in a period of relative depression. The abnormal activities of our industries in war—false and volatile though they were, and brought about by the squandering of our natural resources—have set a high-water mark, the attainment of which alone will satisfy the country in the future. Pre-war normality means post-war depression. To illustrate: A shoe factory in 1914 turned out 3,000 pairs of shoes a day. Under the stress of abnormal war demand in 1918, an addition to the factory was built and labor secured so that 6,000 pairs were turned out. A return to normality would mean a return to the 3,000 pair ticket of 1914, and a half filled factory—thus, in the light of our manufacturing capacity and the additional number of skilled workers—a pre-war normality means a post-war depression. What is true of the shoe business is true of practically all other manufacturing lines.

We more fully must develop our home markets by better transportation facilities. We must look for new markets. As a creditor nation, we should be able to extend credits to develop our trade when the funds now being expended in war preparation are released for cumulative productive work.

Let us discriminate between the disarmament which might lay us open to unjust attack, and disarmament as an economic principle approved by the nations in order that they may profit more than they possibly could profit by war and conquest. The first is dangerous, the latter, safe.

Dr. Rosa's recent calculations show that nearly 93% of the total expenditure of the U. S. government goes to pay for past and provide for future wars. When "the man in the street" realizes the luxury he is supporting in armaments, and how he might be benefited if the funds released by disarmament were

diverted to build up customers of his country, disarmament will come. All people will refuse the philosopher's \$1,000 when they see the \$10,000.

Professor Nicolai estimates that "if the very most were made of the whole world, probably 150 human beings could live on each square kilometer, and the population would thus attain 22½ billions" as against 1¾ billions today.

We must look upon capital as the essence of labor, and by helping our own and other peoples to be capitalists, help ourselves. America is a living example of the fact that hunger (or fear of starvation) is not the greatest impelling force to industrial achievement, for America has developed under the law of the full belly and increasing wants.

"America, the hope of the world" is not a mere phrase—it is a fact. Still, America is the hope also of America.

We must look ahead—recasting the old adage to "Where there is vision, the people live." "Live and let live" must be our motto.

The man who says men must fight because they always have fought, is talking upon an animal basis, and overlooks the higher intelligence.

To advocate disarmament is not asking a man to cease his cussedness. It is proposing that man's native cussedness be used in competition along constructive lines in science, in trade, in manufacture, in the arts, and in sports.

It is not proposing an end of all war. It merely is proposing a change in warfare from one between nations to one upon nature. It is proposing that man wage a relentless war on the elements through science that nature may give up her riches to mankind. Why should we wait a million years to get cheap transportable energy in the form of coal? The great energy producer, the sun—still shines. Capital released by disarmament and put to cumulative productive uses must become the basis for a reconstructed and better world. Where else so easily can be secured the necessary funds but in disarmament? And it is science which must save the world by enslaving nature's forces. When "lightning and light, wind and wave, frost and flame, and all the secret, subtle powers of earth and air, are the tireless toilers for the human race;" when we have "a world at peace, adorned with every form of art"—then the New Day has come.

A FEDERAL DEPARTMENT OF PUBLIC WELFARE

THOMAS I. PARKINSON

Vice-President, Equitable Life Insurance Company, Professor
of Legislation, Columbia University

In his first message to Congress President Harding said:

In the realms of education, public health, sanitation, condition of workers in industry, child welfare, proper amusement and recreation, the elimination of social vice, and many other objects, the government has already undertaken a considerable range of activities. . . . But these activities have been scattered through many departments and bureaus without coordination and with much overlapping of functions which fritters energies and magnifies the cost. Many subjects of the greatest importance are handled by bureaus within government departments which logically have no apparent relation to them. . . . To bring these various activities together in a single department where the whole field could be surveyed and where these inter-relationships could be properly appraised would make for increased effectiveness, economy and intelligence of direction. In creating such a department it should be made plain that there is no purpose to invade fields which the states have occupied. . . . There need be no fear of undue centralization or of creating a federal bureaucracy to dominate affairs better to be left in state control.

In these words the President furnishes at once the inspiration and the explanation of Senator Kenyon's bill (67th Cong. S. 1607) to create a department of Public Welfare.

The bill provides for the reorganization in a new executive department of those agencies of the federal government which deal with the public health and education and with the welfare of the ex-service men. The bill creates a Secretary of Public Welfare who becomes a member of the president's cabinet, but otherwise it is limited entirely to a reorganization of existing machinery of the government. It does not increase or decrease the functions of the bureau of education, but provides that these functions shall be performed in and under the supervision of the department of Public Welfare instead of the department of the Interior. It does not increase or reduce the functions of the public health service or the bureau of war risk insurance, but simply transfers these agencies from the Treasury to the new department of Public Welfare. It does not pro-

pose any expansion of the federal government into new fields of welfare legislation or administration, and on the other hand it does not place any restriction on present or future activity in these fields by the federal government. The bill deals purely with the machinery by which whatever activities have been or may hereafter be authorized by Congress in the fields of health, education and welfare are to be administered.

The fact that the bill deals only with "machinery" does not, however, lessen its importance. No one familiar with the welfare legislation of the past few years can overlook the importance of the governmental machinery for the administration of such legislation. Its administration has increased the cost of government and legislators responsible for our tax policies are increasingly critical of the large appropriations devoted to it. There is nothing which so seriously interferes with the development of governmental activities in the welfare field as the waste through inefficiency or lack of coordination in the administration of our social and economic legislation. Only by efficient use of the funds provided can the proponents of such legislation hope to secure its further extension.

The Kenyon bill provides that the new department of Public Welfare shall be divided into the following divisions: Education, public health, social service, and veteran service. Each establishment is to be in charge of an assistant secretary. Twelve existing establishments of the federal government are transferred to the department to be assigned by the Secretary of Public Welfare to one of these four divisions. The most important of the establishments transferred are the bureau of war risk insurance and the public health service, now in the Treasury department; the bureau of education and the pension bureau, now in the department of the Interior; the children's bureau, now in the Labor department; the federal board for vocational education and the federal employee's compensation commission, now independent establishments.

No one seems to doubt the advisability of coordinating the three principal agencies now engaged in the general problem of caring for disabled veterans and their dependents. The compensation and insurance functions of the war risk bureau necessarily involve attention to the physical condition and the future health of the ex-service men. Closely related to com-

pensation is the rehabilitation work now done by the board for vocational education. The work of both these agencies involves or depends upon the hospital care provided by the public health service. Competition between these agencies, and particularly competition between the war risk bureau and the board for vocational education should have been eliminated long ago. Much time and money might have been saved and much more prompt and effective aid rendered to the victims of the war if compensation and rehabilitation had been administered by a coordinated agency immediately following the armistice. However, there is little need to argue for the desirability of this coordination now. An order of the Secretary of the Treasury, issued on April 19, 1921, takes the first step in affecting such a coordination by transferring to the war risk bureau the activities of the health service which affect the beneficiaries of the war risk bureau, including trainees of the rehabilitation division of the vocational board.

Congressmen Sweet's bill, which has now passed the House, carries this coordination further by merging the veteran service functions of these three agencies in a single bureau in the Treasury department.

In addition to its function in relation to the rehabilitation of disabled service men the federal vocational board now administers the laws to stimulate state activity in the fields of vocational education and the rehabilitation of workmen injured in industry. These are state-aid laws which provide appropriations to be allotted to the states on condition that the vocational and rehabilitation educational work of the state complies with standards fixed by the federal board.

The only other important federal agency dealing with education is the bureau of education now wholly misplaced in the department of the Interior. This bureau was created in 1867. Its purposes and duties are: "To collect statistics and facts showing the condition and progress of education in the several states and territories and to diffuse such information respecting the care and management of schools, school systems and methods of teaching as shall aid the people of the United States in the establishment and maintenance of efficient school systems and otherwise promote the cause of education throughout the country." Research and publication constitute the sole func-

tions of the bureau of education as at present organized. Senator Kenyon's public welfare bill does not propose to interfere with or extend these educational functions of the bureau of education and the federal board for vocational education. Neither does the bill place any obstacle in the way of future congressional appropriations such as that proposed in the Smith-Towner bill to be distributed to the states in aid of education generally.

The bill has been opposed by the representatives of organized labor on the ground that it will weaken the department of Labor. The only agency now administered in the department of Labor which the Kenyon bill proposes to transfer to the new welfare department is the children's bureau. This bureau was created in 1912 to investigate "all matters pertaining to the welfare of children and child life among all classes of our people, and shall especially investigate the questions of infant mortality, the birth rate, orphanage, juvenile courts, desertion, dangerous occupations, accidents and diseases of children, employment, legislation affecting children in the several states and territories." The bureau, with these powers and duties—many of which include investigations of health conditions and all of which affect non-employed as well as employed children—is simply transferred to the new department.

The federal employees' compensation commission was created in 1916 to administer the act providing a scheme of compensation for civil employees of the federal government injured in the course of their employment. At present there are three members of this commission exercising a semi-judicial function of determining when and to what extent an injured employee is entitled to compensation benefits. The Kenyon bill does not abolish this commission but reduces its membership to one commissioner and places him under the supervision of the Secretary of Public Welfare.

The problems involved in the administration of this act are necessarily related to those involved in administering the compensation features of the war risk insurance act.

Admitting the desirability of coordination of many of these existing agencies of the federal government, the question remains, why create a new executive department with a secretary in the cabinet? It is difficult to describe the circumstances

which justify the creation of a cabinet position as distinguished from an agency without cabinet representation. It is clear that the head of an agency like the bureau of standards should not have a place in the cabinet. His administrative functions do not bring him in touch with any phase of our political life which should be represented at the President's council table. We do not want the cabinet to expand so that it will require the Jefferson manual to govern its proceedings.

The relations of the government to the ex-service men is involved in the determination of many of our governmental and political problems for some years to come. There is justification, therefore, for having in the cabinet an official whose daily administrative duty brings him into intimate contact with the ex-service man and his relation to the government. Perhaps still further justification for the proposal comes, as does much of the opposition to it, from the possibility that it means a woman in the cabinet.

The principal opposition to the Kenyon bill comes from the proponents of a federal department of Education. As has been pointed out the proposal does not involve any restriction of existing educational activities of the federal government. The proponents of a department of Education oppose the Kenyon bill frankly because they believe that it will "submerge" education in the Welfare department as it is now "submerged" in the department of the Interior, and will defer the possibility of creating a separate department of Education. One of the leading proponents of this idea said in his testimony before the Senate Committee:

What education wants and requires in America is leadership to make investigation along the lines of educational research that will reveal to the country what might be done in America in the matter of a great problem of education.

If the educational agency of the federal government is to be a scientific organization conducting researches and evolving standards—if, in other words, its purpose is to be "leadership"—there arises at once a question whether the head of such a department should be a member of the President's cabinet. As pointed out above, the chief of the bureau of standards, though he does important governmental work, could contribute nothing to the settlement of the questions which confront a cabinet

meeting and there is, therefore, no justification for his having a place in the cabinet. Likewise an educational agency which is to conduct scientific researches and provide "leadership" does not seem to be an agency of such political significance that its head should sit in the cabinet. The other suggestion made at the hearings, that education should be represented in the cabinet "because education should be exalted", should be "dignified" by a cabinet position is not persuasive. At the moment, at least, there seems to be more justification for a cabinet position representing the coordinating of health, education and welfare activities of the government than for the educational activities alone. If a Welfare department is to be created does it not follow that related activities in the field of education and health should be transferred, at least temporarily, to the new department rather than remain in departments to which they have no relation whatever? The proponents of separate health and education departments may find an interesting analogy in the department of Commerce and Labor, first created as a single department and later divided into two separate departments.

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FEDERAL AND STATE COOPERATION FOR HOSPITALIZATION OF DISABLED VETERANS OF THE WORLD WAR

COL. R. G. CHOLMELEY-JONES

Vice President of the Finance and Trading Corporation, N. Y. City, formerly
Director of the Bureau of War Risk Insurance, Washington, D. C.

The federal government has spent to date approximately
\$ 76,000,000. in the hospitalization, medical care and
treatment of its disabled ex-service men
and women.

203,000,000. in the payment of compensation to the
disabled and to the dependent relatives of
those who have died or been killed by
reason of their active military and naval
service.

129,000,000. in the re-habilitation of the disabled ex-
service men and women by vocational
training.

\$408,000,000. Total federal government expenditure.

*Appropriations for the Next Fiscal Year July 1,
1921 to June 30, 1922*

\$ 33,000,000. for hospitalization, medical care and
treatment.

159,000,000. for compensation to the disabled and
their dependent relatives.

65,000,000. for the rehabilitation of the disabled
veterans by vocational training.

\$257,000,000. Total.

Plus 18,600,000. appropriated for the purchase or con-
struction of new hospital facilities.

\$275,600,000. Total.

It is estimated that these appropriations for the next fiscal
year will not be sufficient and that an additional appropriation

will be needed to meet the requirements for these three services, including an additional allowance of not less than \$16,000,000. for the purchase or construction of additional hospital facilities.

While it is natural that the federal government should be responsible for the care and treatment of its disabled ex-service men and women, and all the expenses incident thereto, I believe that the separate states of the United States could and should contribute material assistance to the federal government in its program for the after-war care and treatment of its sick and disabled veterans, at least during the period in which rapid expansion of facilities is needed.

Congress realizing its responsibility to curtail expenditures has been most conservative in providing moneys for the construction or purchase of additional hospital facilities; in fact, except for special appropriation for a tuberculosis hospital at Dawson Springs, Kentucky and for the purchase of the "Speedway Hospital" at Chicago, it was not until March 3, 1921 that a special appropriation was allowed for the purchase or construction of additional hospital facilities for the exclusive care and treatment of the disabled veterans of the World War.

In May, 1919, Congress was asked to appropriate approximately seventy-two millions for the construction or purchase of additional hospital facilities for the care and treatment of the World War patients. Since then continuous appeals have been made until the spring of 1921 when a special appeal was made for an emergency appropriation of approximately thirty-five millions. It was not until March 3, 1921 that an appropriation was authorized and then only for \$18,600,000, and this more than two and one-half years after the signing of the armistice.

Congress is apparently fearful lest the government shall become over-burdened with hospitals and is therefore loath to encourage the building of additional facilities. With this fear of over-construction and with the pressure for the curtailment of governmental expenditures, the government hospital program for the disabled veterans of the World War has been very much handicapped—the result being dissatisfaction and suffering on the part of the disabled veterans and in my opinion, in the preventable death and preventable insanity of not a few.

I believe, that in order to expedite the furnishing of adequate

hospital facilities throughout the entire United States, the states themselves should be encouraged to furnish the special hospital facilities, either by new construction or by other methods and to lease such hospital facilities to the federal government, allowing the government an option to purchase, in the event that the facilities are to be needed permanently by the government. In the event that the government purchase such facilities from the states, credit should be allowed in the purchase price for at least part of the moneys paid in rents.

In this way the federal government could encourage the various states in which additional hospital facilities are needed to furnish them just as quickly as possible by new construction or otherwise, and to make such facilities available to the federal government. If the hospital facilities are not needed permanently by the federal government, they would be returned to the States to meet the growing need, for more institutions, that exists in every state.

Already the hospitals now existing in the various states are very much over-crowded, so that the states themselves need more hospital facilities and with the increase in population will continually need still more. It is partly for this reason that the government has found it so difficult to utilize the existing facilities of the states for the care and treatment of its ex-service beneficiaries. Therefore, were the states to provide additional facilities for temporary use by the government the states could very readily make full use of them when released by the government.

Believing that such a plan would result in better service and, at the same time result in real economy to the government, a proposal was made on August 19, 1920 to the then Governor of the State of New York, which proposal, was set forth in a message from the governor to the state legislature, then sitting in special session, as follows:

SEPTEMBER 20, 1920.

To the Legislature:

My attention has been called to a grave situation in relation to the care and treatment of veterans of the World War who have become mentally disabled. There are eight hundred and forty-five ex-service men and women, suffering from mental disorders, being cared for in state institutions. Their average age is under twenty-five, and in most cases they are suffering from the early stages of the disease; whereas the age of the average other patient

in the state hospitals is above fifty-five years, and in most cases the disease is chronic.

These disabled men and women of the World War cannot receive the proper treatment under the present system. They should be segregated into one institution at the earliest possible moment, in which event, I am informed, a great majority of them may be cured.

The following communication received by me from R. G. Cholmeley-Jones, Director of the Bureau of War Risk Insurance of the United States government, explains the situation in detail, viz.:

TREASURY DEPARTMENT
WASHINGTON

AUGUST 19, 1920.

*Honorable Alfred E. Smith,
Governor of the State of New York,
Albany, New York.*

My dear Governor:

In the Government's program for the care and treatment of its disabled veterans of the World War, much difficulty has been experienced in the securing of adequate hospital facilities. This has made it necessary for the government to send a very large number of the sick and disabled men to private, state and county hospitals and sanatoriums.

At the present time there are about nineteen thousand disabled ex-service men and women scattered in more than a thousand hospitals throughout the United States. In New York, for instance, there were on August 1st reported 1850 disabled men and women in 147 hospitals. This scattering of patients in such a large number of hospitals and sanatoriums makes proper governmental supervision of their treatment and cure most unsatisfactory not only to the Government but to the patients themselves.

The problem of the care of the mentally sick veterans has proven particularly complex and difficult, and in many localities it has been found impossible to secure hospital facilities of proper construction under medical administration in conformity with the best type of modern practice.

In New York State, for example, on August 1st there were reported 845 ex-service men and women suffering from mental disorders who were being cared for in 39 hospitals and sanatoriums, including state institutions. The government is expending at the present time about \$400,000 for the care of approximately 443 patients in New York State hospitals annually. At this same rate were all the ex-service men suffering from mental and nervous disorders in New York State cared for by New York state hospitals, the government would be expending for such cases more than \$770,000 annually.

The situation as regards the care and treatment of these mental patients of the World War affects very much the World War veterans of New York State—not because the rate of insanity is higher in New York State than in other states, but because of the very large quota of troops furnished by New York State in the recent war.

It is the bounden duty of the government so to prepare itself at the earliest possible moment that it may properly care for the mentally diseased veterans of the World War in special psychiatric hospitals. This task must be approached with a profound regard for the rights of the disabled soldier and his relatives. In the State of New York the hospitals for the insane are not charitable institutions in the strict sense of the word, yet they are so regarded by many relatives of the ex-service men, and on this account there is a little reluctance to make use of them.

Of far greater importance, however, is the fact that medically and socially the insane ex-service man presents problems far different from those for which the great institutions of your state were created and are maintained. The average age of the ex-service men in the New York State hospitals is under twenty-five years while, I am informed, the average of the other patients is above fifty-five years. The ex-service insane man is in the early stages of the disease, and therefore has a greater opportunity for recovery under suitable treatment. The civilian patients, on the other hand, in the New York State hospitals represent very largely the terminal stages of insanity. Buildings, methods of treatment, recreation, and occupation which are suitable for the treatment of the somewhat elderly and more chronic patients, are obviously not equally well adapted for young ex-soldiers.

The government of the United States is without adequate hospital facilities in the State of New York for the reception and care of its insane beneficiaries in their state. A considerable time would of necessity elapse before the government could construct such facilities even though it were considered wise to do so and the appropriations had been made by Congress and were now available. It therefore becomes necessary for the government to seek the assistance of the State of New York. To this end I would invite your consideration to a plan calculated to meet the immediate emergency, at the same time making adequate provisions for the future care and treatment of the civilian patients of New York State, since in the interim the government would have sufficient opportunity for developing its facilities for the care and treatment of the sick and disabled veterans.

If the state of New York would immediately undertake the completion of the Marcy Division of the Utica State Hospital so that it could receive these beneficiaries at a per-diem rate to be agreed upon by the government of the United States and the state of New York, the immediate problem would be greatly simplified.

I would recommend that an appropriation be secured from the legislature of the state of New York during its forthcoming special session for the construction and equipment of a thousand-bed hospital for the insane to be located at a strategic point, and to be erected and outfitted in accordance with the best views of modern psychiatrists. Further, that the governor be authorized to enter into a contract with the United States whereby the federal government shall take over and operate this institution under lease for a term of years contingent upon Congressional appropriations.

In this way, the institution would be gradually paying for itself, the rentals constituting a credit in the treasury of the state and upon the relinquishment of the property by the government, the state would be in possession of a modern institution at little or no cost, which would be an excellent addition to the already admirable system of state hospitals at a time when, in all human probability, there would be a great need for such an institution by the state.

I sincerely hope you will regard this proposal as sufficiently practical to include it in your message to the special session of the state legislature, in order that the matter may be given consideration at the earliest practical moment.

If it meets with your approval, and at such time as is convenient to you, the Surgeon General of the United States Public Health Service and I will be very glad indeed to call upon you in order that all of the important details may be gone into very thoroughly.

Sincerely yours,

R. G. CHOLMELEY-JONES,

Director.

I therefore recommend an appropriation for the construction and equipment of an additional hospital to take care of these disabled veterans of the World War, and also recommend the enactment of legislation authorizing the governor to enter into a contract with the United States Government to take over and operate such hospital.

(Signed) ALFRED E. SMITH.

In response to this special message of Governor Smith, the legislature on September 29, 1920, passed "An act to provide for the construction, by the state, of a hospital for discharged soldiers, sailors and marines, from the state of New York, suffering from mental diseases, and making an appropriation of \$3,000,000 therefor," which act was approved by the Governor. (See *Laws of New York*, 1920, ch. 958.) This act, in addition to providing for a hospital, created a commission among whose duties were the following: that it "shall enter into negotiations and may make an agreement with proper authorities of the United States" to construct and lease to the United States the facilities so provided.

It was the opinion of the Secretary of the Treasury that the entering into the agreement as provided for in the act passed by the legislature of the state of New York, just referred to, would bind future appropriations and therefore could not lawfully be signed by him. The whole matter was then formally submitted by him to Congress, with the result that the House approved it and the Senate rejected it. Here is an example of a state responding magnificently to the urgent appeal of a

federal government officer in the interest of the disabled veterans, and yet this cooperation requested by the federal government officer and generously offered by the state, was refused by one branch of the legislative body of the federal government.

I believe that this is at least one of those instances where federal and state officers should work in the closest harmony for the common good of the disabled veterans. There should be no jealousy or lack of confidence between a federal officer and the state officer. After all, all public officers, whether federal or state, represent and serve the same public. Just because a man or woman disabled by reason of their active military or naval service during the World War must look to the federal government for both compensation and hospitalization, it does not indicate that they have lost their status as a resident of a community in a particular state and hereafter hold only a sort of a national citizenship. While under existing laws, the federal government is responsible for all costs incident to the rehabilitation of the disabled soldiers, nevertheless the state, in my opinion, shares in the moral responsibility to make certain that no facilities be lacking for the proper care and treatment of all sick and disabled World War veterans.

The work being done by the Secretary of the Treasury's special committee of hospital consultants, Dr. William Charles White, Dr. Frank Billings, Hon. John G. Bowman and Dr. Geo. H. Kirby in developing the government's hospital program is most commendable. A careful survey has been conducted under their direction and with the assistance of Dr. Thos. W. Salmon, Dr. H. A. Patterson, Mr. T. B. Kidner and Col. Charles M. Pearsall. Every economy has been exercised in the preparing of recommendations for the expenditure of the \$18,600,000 appropriated by Congress in securing additional hospital facilities, either by construction or purchase. I note with interest, their recommendations to utilize to the fullest extent the facilities of the National Home for Disabled Volunteer Soldiers as well as such other government facilities as may be converted into hospitals, and also their recommendation that all of the responsibility for the hospitalization, medical care and treatment, and compensation be co-ordinated with the Bureau of War Risk Insurance, a policy which I have urged

for more than a year past and which was also recommended by the so-called "Dawes Committee" appointed by the President to examine into the federal government's service to the ex-service men and women. I believe further that the rehabilitation division of the federal board for vocation education which deals exclusively with the disabled ex-service men and women should also be consolidated so that all federal government veteran activities may be in one bureau and under a single direction.

In conclusion, I would like to emphasize the fact that another appeal is being made to the Congress of the United States to give the Director of the Bureau of War Risk Insurance, subject to the approval of the Secretary of the Treasury, authority to complete such negotiations as may be desirable and necessary with the various state or municipal authorities for securing proper and adequate hospital facilities for the medical care and treatment of disabled veterans of the World War such as was proposed to the state of New York, referred to above, by the inclusion in the so-called Sweet Bill "H. R. 6611" of the following paragraph:

In the event government hospital facilities and other facilities are not thus available or are not sufficient, the director may contract with State, municipal, or private hospitals for such medical, surgical and hospital services and supplies as may be required, and such contracts may be made for a period of not exceeding ten years and may be for the use of a ward or other hospital unit or on such other basis as may be in the best interest of the beneficiaries under this act.

The Sweet bill has already passed the Lower House and I sincerely hope that the Senate will pass this bill at this session and that the paragraph above quoted, may, in addition to the other important features of the bill, become law at the earliest practicable date. This will give sufficient authority to the Director of the Bureau of War Risk Insurance, subject to the approval of the Secretary of the Treasury (or to the director of the veterans bureau if such a new bureau be created, and I hope it will be), to encourage and to accept the active co-operation of the various states of the United States and to enter into agreements with the various states for securing hospital facilities and perfecting the government's hospital program for its sick and disabled veterans. In my opinion such a program will result in marked economy and will both expedite and improve the service.

FEDERAL EXPENDITURES FOR PUBLIC HEALTH

WILLIAM F. SNOW

Treasurer, National Health Council; General Director, American Social Hygiene Association, Inc.

MY training and experience naturally lead me to wish to impress you with the very great need for expansion of our federal as well as state and local programs for health conservation, but as I have listened today to President Harding and to the previous speakers I am inclined to revise my paper and mention briefly only those items of public health support which can not possibly be eliminated from our national budget without disastrous consequences. I, therefore, abandon my paper in favor of a brief answer to the four questions Professor Lindsay originally asked me.

In dealing with these questions we must attempt to define what we mean by public health, in order to have a common ground for discussion. We are all convinced everywhere that expenditures to avoid great outstanding dangers, such as cholera, yellow fever, plague and smallpox used to be and would be again today if we did not keep them under control, are proper charges against our federal funds for health administration. We believe that it is worth while to do what we can, by federal cooperation with the states and localities, to fight typhoid fever and diphtheria. We have become convinced that federal aid is needed in combating tuberculosis and the venereal diseases.

As we get farther and farther away from great emergencies, however, which the local public obviously cannot handle because of panic such as accompanies epidemics of influenza and poliomyelitis or because of ignorance of danger or the enormity and complexity of the problem as in the case of venereal diseases which I have mentioned, we grow more doubtful regarding the inclusion of activities under public health. For example, malaria and hookworm diseases are enormously important as causes of ill-health and inefficiency, but it is a

question in the minds of many as to whether the federal government should do very much with those diseases beyond research upon the best administrative measures. We find a wide divergence of opinion when we come to the question of including under public health the administration of pure food regulations, the control of water supplies, garbage and sewage disposal and the milk supply. Even greater divergence of opinion exists regarding whether medical inspection of school children, child hygiene, baby welfare and related questions belong to the field of public health. These things are all desirable; it is a question of where we draw our line in defining public health. In general everyone is agreed that the federal government should limit its activities to efforts which the states obviously cannot successfully make alone. And for that matter, it is agreed that states and communities ought also to limit their activities to those problems of health which the individual cannot solve for himself without endangering others.

It is my personal opinion, that we should first direct our efforts toward protecting the population against those diseases from which knowledge alone will not protect them. We may know about a good many of the diseases I have mentioned and yet not be able to protect ourselves or families. It happens that a great many diseases of this character have been brought under control by science, and pushed beyond the borders of this country. It would seem very clearly the duty of our government to protect us from the invasion from other countries of these diseases. Then we should continue federal participation in educating and training the public to protect its citizens from such diseases as smallpox, typhoid fever, diphtheria, or other diseases for which we have vaccines, antitoxins or other measures for providing individual immunity or prevention of serious infections after exposure. Such dangerous diseases cannot be limited by purely intra-state measures. Again epidemic or rare diseases from a public health point of view, such as influenza, rabies, poliomyelitis and a score of others, occur so infrequently in the average community that the provision of an adequate state personnel and equipment for combating them is prohibitive. We should maintain at federal expense a mobile force, so to speak, always available to aid the state authorities in dealing with such disease enemies.

The more general problems of food control, water supply protection, and similar measures are probably those which we should consider, if we are going to talk about retrenchment within the public health field as usually defined, because these activities may be taken care of in other ways. I would point out, however, that transfer of activities from one department or bureau to another is not necessarily attended by economy in expenditures. If we try to establish a general principle of division between federal and state expenditures for public health, I think it ought to be that the federal government should attempt nothing which the states can do for themselves. Secondly, if the federal government undertakes to cooperate with the states by way of nation-wide demonstrations in controlling special diseases that have been neglected as in the case of the venereal diseases, that cooperation should not be given unless it is reasonably certain that a permanent program will be carried out by the state after the demonstration is completed. Federal funds should be supplied plentifully for research to improve our present methods and our knowledge of application of scientific facts. Our limitation in this matter is still the most costly factor in our bills for ill health. Lastly, the government should be well enough equipped always to protect a given state from the invasion of disease from other states in which the local health machinery has broken down or is hopelessly inadequate as sometimes happens in great unexpected epidemics of communicable disease.

Without going into details, it will be useful to summarize the permanent health activities of our government which have been supported now for several years to the extent of approximately ten million dollars annually. The major divisions of this sum as expended by the U. S. Public Health Service and other federal bureaus are: (1) for regular activities \$5,000,000; for public health and related measures in special neglected fields which need federal aid for a series of years such as combating the venereal diseases, \$2,000,000, for emergency expenditures in controlling influenza and other great dangers \$1,000,000; for research \$500,000; for health information and education \$500,000; for general federal hospital care, not including any of the expenditures for ex-service men, \$1,000,000. These are not accurate figures, of course, but give us a rough total of ten

millions now expended by the federal government in promoting health throughout the nation.

As to Professor Lindsay's question regarding the evaluation of these expenditures, it is true, particularly of disease control, that the better the work, the less evidence there is discernible by the public regarding the value of the investment. If the Fire Department ran out every time we put down an epidemic, we would have a demonstration of how active our health departments are. This is as true of federal health work as it is of local work. Of course, we know what was done in stamping out smallpox in the Philippines after we took the islands. We know, for instance, in a state like Georgia or South Carolina that the loss through malaria has been greatly reduced. We know the epidemic of yellow fever in 1872 spread over this country and cost eighteen thousand lives and something like one hundred and seventy million dollars, while the epidemic in 1905 got under way apparently more effectively than the epidemic in 1872, but was stamped out with the loss of less than nine hundred lives and a saving of many millions of dollars. The control of the bubonic plague in San Francisco, without the loss of shipping and commerce, saved the nation billions of dollars. The saving of our children from such diseases as diphtheria and other diseases which were very prevalent in our parents' days and in our own childhood, can be calculated as a saving of millions upon millions more, besides the savings which cannot be stated in money.

These are purely speculative. If I had time, I think I could develop my reasons for making what seems to be an arbitrary statement—within the next ten years it is possible to save something like twenty-five per cent of our present federal outlay on the things we are now doing, through: (1) international cooperation and better policing of diseases not now in the United States, that is, the keeping of plague and cholera and typhus and other things out of this country, by better co-operation in handling these problems; (2) through individual precautions taken as the result of education in preventing the exposure of individuals to disease; and (3) through a steady increase of better conditions of housing, working, and play, which all have an enormous bearing on public health.

I believe, too, it is possible to save something like fifteen

per cent of the present federal outlay, through the assumption of expenditures by the state and local governments, which expenditures are now being made largely in the way of demonstration by the federal government. Lastly, it is possible to save something through reorganization and cooperation of all health agencies, both official and volunteer, by adoption of some such principle as has been voiced by the President and in the bills now pending in Congress for study and reorganization of federal health and welfare work.

Probably nothing which may be done now can change the immediate outlay, but by promoting better purchase value of each dollar devoted to public health we could, I imagine, in ten years reduce our present federal expenses for public health about fifty per cent. I say ten years; but I am confident that if we could double our present outlay of ten million dollars and make it twenty million immediately, we could get the reduction I speak of inside of five years. Therefore my plea would be to retrench in public health expenditures by immediate expansion of our expenditures, recognizing that this is not so much a matter of federal expense as of federal investment which will yield enormous profits to the next generation and even to ourselves.

In conclusion permit me to say that I believe I have based this statement upon sound and adequate data, which I have omitted in order to make more certain that the central idea which I present may remain unconfused in your memory.

PROBLEMS OF FEDERAL EXPENDITURES FOR TRANSPORTATION

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THE opportunity for individual reward and accomplishment is solely responsible for our great transportation systems. Aside from subsidies in pioneer days to some of the transcontinental lines, the costs of railroad extensions were borne by the public in recognition of the ability of our captains of finance, who had the far-sighted vision to foresee accruing profits from the charges for hauling the products of the virgin fields their rails would develop.

During the great war the inadequacies of transportation to handle the peak load were proven and, as a result of losses largely chargeable to the accruing component costs of congestion, the period of government operation is represented by losses of approximately two billion dollars. Now that the railroads have been returned to their owners since September 1st of last year, there will be no repetition of such exorbitant drain on our national resources if the same incentive responsible for the early financial success of our railroads remains untrammeled in the future.

In Canada the situation is diametrically opposite. There traffic expectancies of many lines built through undeveloped country have not been fulfilled and they cannot be expected to for many years to come; therefore, the government has assumed an annual deficit of approximately seventy million dollars for about one-half the railroad mileage in the dominion.

While the railroads may reasonably be expected to sustain themselves in the future, it must not be overlooked that they are but one of our several mediums of national transportation, and with past experience as a lesson, the proper coordination of all transportation facilities is essential to meet the peak loads of future industrial activities.

Briefly, this existing transportation asset is railways, waterways and highways. Our waterway expenditures have in the

past been heavy, but improvements have been made more with a view of channel depth than terminal capacity; hence under peak load conditions during the war they were of slight benefit, because they lacked transportation facilities properly coordinated with our railroad transportation facilities with suitable joint water-rail terminals for diversion of surplus traffic from each to the other in ratio with the carrying capabilities of either.

Considering operating losses under federal control, it is interesting to note the comparative line haul and terminal costs. In the industrial section of this country east of the Mississippi River the terminal costs absorbed an inordinate portion of total revenue. While the exaggerated charges by railroad unions of wasteful railroad operation are fallacious and can never be sustained, I am convinced there is still tremendous opportunity for reducing operating costs and that opportunity lies in effecting economies in terminal operation more than anywhere else.

Under this peak load, in each and all of our large industrial cities, which likewise in the majority of cases are our large freight terminal or interchange points, great congestion prevailed to detriment of line haul movements by reason of terminal inadequacies. The functioning of such centers as check valves interrupted the free and easy flow of traffic and is largely responsible for the erroneous impression that our railroads crumpled under the burden. With sufficient motive power there is practically no tonnage limit which the railroads will not carry, provided the movement is uninterrupted. Terminal interruptions were likewise responsible for car shortage, since cars through congestion were held in terminals for storage instead of transportation.

Under the stress of this situation a large amount of traffic was diverted to highways by motor trucks to detriment of tariff returns to the railroads and at far greater cost to shippers. During that acute situation action was necessary regardless of cost, and the truck then patriotically discharged its obligations in competition with the carrier. A continuance of such long haul highway competition is an injustice to investors in our railroad securities, to taxpayers, who are assessed for maintenance and construction costs of highways, and to consumers,

who in the retail price are assessed the excess cost of long haul truck charges, which are far greater than existing railroad tariffs.

The government is spending large sums annually in road construction subsidies without much voice in detail plans and specifications covering such construction. To what extent a good dollar should be put behind a bad dollar for poorly designed highways is problematical, and further it is more problematical as to whether or not investment should ever be made without proper assurance of maintenance, for without maintenance—irrespective of road specifications—the principal so invested is early confiscated by deterioration. Our national highways should be made to bear their burden of short hauls of industrial traffic during times of peace and maintained as a military asset during times of war. Whether or not this latter contingency warrants giving our federal government supreme authority in engineering specifications, construction and maintenance is a subject for legislative consideration. Road building is a matter more of engineering than capital expenditures; therefore, since the government is liable for the latter, it seems but proper that it should have some voice in the former in order to secure standardized construction, which is essential for wartime activities, if not for our commercial welfare.

This lack of standardization is apparent to an automobilist in driving over state boundaries and in some localities a matter of grief when driving over county boundaries. If the trunk lines, interstate or military highways were specified by the federal government in recognition of its subsidies for such and the intra-state roads became the individual problem of each state, urban and agricultural development would accrue in ratio with the intelligent road construction furnished its taxpayers by each state.

The automobile has made city facilities available in rural communities, and the motor truck similarly will reduce the marketing cost of agricultural products originating in districts far removed from rail transportation, provided proper roads are constructed for truck operation.

With proper roads for both passenger and freight transportation the motor vehicle both automobile and truck, will

largely function as an auxiliary of rail transportation, distributing and collecting the ever-accruing volume of freight which will follow in any territory opened up by highway construction. In this work the truck will economically discharge its obligation to civilization, and contribute to the increase of railroad revenues, instead of at exorbitant cost both in retail price of commodities and destruction of highways detract from railroad revenues through long haul competition with our common carriers.

When such transpires, expensive rail extensions to develop virgin territory will not become a burden of government subsidies as in Canada or of private capital as in the United States. When comparative operating costs make such sequence possible and advisable rails will follow the motor truck at assured economies instead of preceding the motor truck at anticipated loss for an indefinite period.

While rail extensions into virgin territory might be considered a financial gamble, the extension of intra-terminal rails to relieve terminal congestion and benefit main line railroad transportation is only possible at prohibitive cost, which in the majority of cases will never be warranted by operating economies effected.

Such intra-terminal rails are necessary only as interchange facilities for the carriers and to furnish sidings for industrial extensions. Here the motor truck can be coordinated with rail transportation in interchange, collection and distribution service under operating charges less than interest charges alone on physical extensions. It will function currently, lacing up disjointed freight stations of railroads and isolated sites available for industrial plants, less the proven delays and exorbitant expense attendant on interchanges by box cars over congested terminal rails.

The motor truck, as a tonnage developer of traffic for railroad main line hauls, radiating into rural communities from junction points to be established for interchange of their loads with railroads, will be a potent developer for this country, will involve less liability for either government or private capital, for unless the railroads themselves adopt the facility, aggressive private capital will profitably perform the service for them.

Likewise, the motor truck can be used at discretion of the carriers to forestall their otherwise necessary huge expenditures for extension of terminal plant at enormous operating economy and untold benefit to shippers through expediting the movement of freight, which will result from consolidation of carloads at origin by the truck for uninterrupted dispatch to destination.

None of these results will be obtained by haphazard investments and operation. As with every other venture, coordination is primarily essential, and coordination must be backed by intensive intelligent operation. When so properly relegated to its sphere, excessive costs of long haul competition and unlicensed abuse of our public highways—now partially subsidized by the federal government—will cease.

Later in progressive sequence the demountable unit container of maximum motor truck capacity will unquestionably prove a primary facility of transportation, utilizing the three principal available units—railways, waterways and highways—within the zones of most economic operation of each, and the motor truck will then come into its own as the missing link in transportation lacing up these three primary facilities.

Such future opportunity suggests not only standardization of highway specifications, but standardization of all state laws regulating the gross and net weight, load distribution and clearance dimensions of motor trucks. The standardization of traffic laws is likewise essential for the intelligent use of this modern facility, which has already proven its potentialities.

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FEDERAL EXPENDITURES FOR PUBLIC EDUCATION

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IN the first place, I want to call your attention to the fact that public education is not primarily a question for educators to determine. It is a question for all the people. The public schools in the several states were founded by the people. They are supported today by the people, to do the people's job. If they are efficient, if they do their work well, then the people get the dividends. If they fail, the people through future generations suffer because of that failure. So this is a question of the highest importance to all the people.

All money put into education, rightly expended, is an investment. We need make no apologies for making an investment. Everyone would say that if investments could be made that would bring large dividends in better citizenship, it were well to make those investments. But it is more than an investment. It is an insurance against the difficulties that we see today in the countries that are not fostering public education.

When England, during the war, was standing with her back against the wall; when Haig was holding on with France and the other allies until America could come to the rescue, the Minister of Education in England asked for increased millions for public education. The Chancellor of the Exchequer, rising in Parliament, said, "We know that your requests for public education are well founded. These expenditures should be made if we could afford it. But when England is stressing herself to the limit to get money enough to save her very life, can we afford to make these expenditures?" Minister Fisher rose and replied, "When we are considering an expenditure that is at once an investment and an insurance, the more important question is: Can we afford not to make the expenditure?" The added appropriations were voted.

The greatest question to be considered in America today is education. The statesmen of our country from Washington down, have recognized, as we must recognize today, the importance, the primary importance, as Washington put it, of the development of public education as the foundation of free government. In his great farewell address, in which he urged the people to do those things that would make certain the perpetuity of our government, he summed it all up with these words: "Promote, then, as an object of primary importance, institutions for the general diffusion of knowledge." And he gave his reasons. "In proportion as the structure of government gives force to public opinion, it is essential that public opinion be enlightened." We heard here at this meeting from Senator Root, of the power of public opinion, and then the President emphasized the same thing. It made me think of the saying of Lincoln that public opinion is more than the making of laws, that it makes possible the making of laws. But how can there be an intelligent public opinion unless back of it all there is a system of education that shall develop an intelligent citizenry? That is the vital question, and when we are talking about the character of some members of Congress and of state legislators, I sometimes think we do not go back far enough.

When I was a member of the Illinois Senate, there was a Senator from a district in Chicago who was most unsatisfactory to some of us. I remember talking to my good friend and colleague, Senator Hay, about this man. Senator Hay asked, "Have you ever been in the district in Chicago from which he comes?" I replied, "No, I think I have not." He said, "This is a representative form of government, and I do not know but what the Senator in question reflects the intelligence of the people of his district quite as well as you and I possibly could the people of our districts. Back of the Congressmen are the men who elect the Congressmen. Back of our legislators are the voters who select these legislators. And back of the future of America is the American citizenship that shall uphold or fail to uphold our American institutions. And so what we need is an investment in citizenship, and we must think of public education in that way. When we think of it that way we will not be miserly about expenditures, for we

will see that all the money put in brings liberal returns. Money put into education is money put into brains, and brains make money. From the standpoint of material prosperity it were well to spend more money in education.

What has the Federal Government to do with this? The government cannot escape interest in a thing that has to do with its very life. The government of the United States cannot be careless in considering the development of a citizenship which alone can save it from ruin. The war brought out so many illustrations of this fact. Nearly one-fourth of the boys who were drafted, between the ages of twenty-one and thirty-one, were unable to read a newspaper intelligently or write a letter home. Does this condition affect national security? Is it a question of national concern?

I wonder sometimes if we go deep enough in considering the Declaration of Independence. We emphasize our inalienable rights, the pursuit of happiness, etc. But I would call your attention to the fact that this great document declares that "to establish these rights governments are instituted among men." Do the millions of illiterates in America today, born under our flag, natives of our country, have life in the sense that the members of this Academy think life ought to be lived in the twentieth century? Do they have liberty, held as they are in the bondage of ignorance? Do they have a fair opportunity for the pursuit of happiness when they cannot read a newspaper or a magazine, or gain anything from the printed page? May we have the spirit of our fathers that we may realize America's unfinished work; that we may help bring to every boy and girl in America at least that guaranteed opportunity of "life, liberty and the pursuit of happiness."

Is the physical well-being of our nation a question purely of state concern, when nearly one-third of the men drafted in the war were unfit for full military service, and the surgeons told us that a large proportion of these deficiencies could have been prevented by the understanding and application of health habits? We have undertaken the conservation of material resources. Beginning particularly in Mr. Roosevelt's administration, we started to conserve our water power and forests and mineral resources, and other natural resources—and we have not done too much. It was time for us to do that, but isn't it

really more necessary to begin to conserve our human resources? The highest expenditure asked in any bill or bills for health promotion or physical training for a whole year would be less than the cost of one battleship.

We have heard a good deal in this conference about disarmament and I quite approve what has been said. I went before the Foreign Relations Committee in Washington the other day, and spoke earnestly in support of a program for disarmament. Could we not cut out one battleship, if Japan and England would agree to unite with us, and take the money and put it into the conservation of manhood and womanhood and citizenship, that would help make secure the blessings of liberty to ourselves and our posterity? That is what we are asking.

Regarding the teacher situation, all the normal schools of America, all the teachers' training institutions, will not turn out this year one-fifth the number of teachers that we will need next fall to fill the vacancies in our public schools. Tens of thousands of school positions are filled today by girls under twenty years of age who have had no more than an eighth grade education, and this great nation of ours is going along failing to appreciate the seriousness of the situation.

The nation must assist in bringing about better conditions. It must never control, never dominate, but it can and should help. Many states sorely need help. The state of California, according to the last census, had fourteen thousand dollars of taxable wealth back of every child to be educated. The state of Mississippi had only two thousand dollars of taxable wealth back of each child. In other words, in Mississippi they would have to levy seven times as high a tax as in California in order to get as much money per child for education. But you say that you are not interested in the children of Mississippi. Yes you are. They told me in Chicago a few years ago that they were not interested in the illiteracy of the South, but during the war two hundred thousand illiterate negroes came out of the South into Chicago. They acknowledge now that they are very much interested in the education of the negroes of the South.

The principle of federal promotion of education rests on these premises: That, as Americans, we are all citizens of a common country; that the duties and privileges of American citizen-

ship are not affected by the state boundaries; that because of the facilities for intercourse between the states each state must inevitably share in the strength or weakness of all; that whatever tends to elevate and strengthen the citizenship of any state promotes the welfare of the entire country; and that any discord or weakness in a state or community subtracts from the general health and security of the nation as a whole.

Are you ready to question any of these premises? No one can doubt that to insure national prosperity and preserve our American institutions there must be developed, through education, a citizenship that is physically, intellectually and morally sound; that to neglect the proper training of any considerable portion of our people, in whatever state or community they may reside, is to endanger the future of our nation, as a whole; and that because of these facts our national government is deeply interested in the promotion of education throughout the nation.

I quoted from a statement of Washington that education is of "primary importance." I want to read now from a statement by President Harding, which statement he gave out last October: "Education is so intimately related to every phase of human welfare and to the perpetuity of our free institutions that it must be considered of primary importance in any program for social betterment." You note he used the same words that Washington used, "primary importance." Then he goes on: "The federal government has established the precedent of promoting education. It has made liberal grants of land and money for the establishment and support of colleges of agriculture and mechanical arts, and in more recent years has made appropriations for vocational education and household arts. Without interfering in any way with the control and management of public education by the states, the federal government should extend aid to the states for the promotion of physical education, the Americanization of the foreign-born, the eradication of illiteracy, the better training of teachers, and for promoting free educational opportunities for all the children of all the people."

If we will stand by that program of national aid, of national encouragement, of national cooperation, in doing what must be done if America is to preserve her institutions and realize her ideals, we will take a long step forward.